



A REPORT
TO THE
MONTANA
LEGISLATURE

FINANCIAL AUDIT

Board of Investments

*For the Fiscal Year Ended
June 30, 2007*

DECEMBER 2007

LEGISLATIVE AUDIT
DIVISION

07-04

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FINANCIAL AUDITS

Financial audits are conducted by the Legislative Audit Division to determine if the financial statements included in this report are presented fairly and the agency has complied with laws and regulations having a direct and material effect on the financial statements. In performing the audit work, the audit staff uses standards set forth by the American Institute of Certified Public Accountants and the United States Government Accountability Office. Financial audit staff members hold degrees with an emphasis in accounting. Most staff members hold Certified Public Accountant (CPA) certificates.

Government Auditing Standards, the Single Audit Act Amendments of 1996 and OMB Circular A 133 require the auditor to issue certain financial, internal control, and compliance reports. This individual agency audit report is not intended to comply with these requirements and is therefore not intended for distribution to federal grantor agencies. The Legislative Audit Division issues a statewide biennial Single Audit Report which complies with the above reporting requirements. The Single Audit Report for the two fiscal years ended June 30, 2007, will be issued by March 31, 2008. The Single Audit Report for the two fiscal years ended June 30, 2005, was issued on March 6, 2006. Copies of the Single Audit Report can be obtained by contacting:

Single Audit Coordinator
Office of Budget and Program Planning
Room 277, State Capitol
PO Box 200802
Helena MT 59620-0802

Legislative Audit Division
Room 160, State Capitol
PO Box 201705
Helena MT 59620-1705

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LEGISLATIVE AUDIT DIVISION

Scott A. Seacat, Legislative Auditor
Tori Hunthausen,
Chief Deputy Legislative Auditor



Deputy Legislative Auditors:
James Gillett
Angie Grove

December 2007

The Legislative Audit Committee
of the Montana State Legislature:

We performed this annual audit of the Board of Investments in compliance with Article VIII, section 13 of the Montana Constitution, and section 17-6-321, MCA. The objectives of our financial audit included determining whether the Board's financial statements presented fairly its financial position and results of operations at and for the period ending June 30, 2007, with comparative totals at and for the period ending June 30, 2006, and the Board's compliance with laws and regulations that have a direct and material impact on the financial statements.

The Board of Investments, created in 1971, is attached to the Department of Commerce for administrative purposes. The Board employs an executive director and chief investment officer who in turn hire and manage staff. The staff members advise the Board, implement its decisions, and perform daily investment, economic development, and record keeping functions. Included in this report is a list of the members of the Board of Investments and its Administrative Officials (page i).

The Board chose to present consolidated investment pool financial statements for fiscal years 2006-07 and 2005-06 rather than the separate pool statements as presented in previous years. This change in presentation provides the financial user a comprehensive view of all pooled investments. This report contains unqualified Independent Auditor's Reports for each of the following three sets of financial statements of the Board of Investments (page A-1): Consolidated Investment Pool (consisting of Retirement Funds Bond Pool, Trust Funds Bond Pool, Short Term Investment Pool, Montana Domestic Equity Pool, Montana International Equity Pool, Montana Private Equity Pool and Montana Real Estate Investment Pool), All Other Funds, and Enterprise Fund. The Independent Auditor's Reports cover two fiscal years because the Board presents two fiscal years in the financial statements for comparative purposes. The Board's response to this report is on page C-1.

This report does not contain any recommendations to the Board. The prior financial-compliance audit report, issued for the two fiscal years ended June 30, 2006, contained no recommendations to the Board.

We thank the members of the Board of Investments and their staff for their cooperation and assistance during the audit.

Respectfully submitted,

/s/ Scott A. Seacat

Scott A. Seacat
Legislative Auditor

APPOINTED AND ADMINISTRATIVE OFFICIALS

Montana Board of Investments

Term Expires

Terry Moore, Chairman	Billings	1/2011
Elouise Cobell	Browning	1/2009
Teresa Cohea	Helena	1/2009
Karl Englund	Missoula	1/2011
Maureen Fleming	Missoula	1/2011
John Paull	Butte	1/2009
Jack Prothero	Great Falls	1/2009
John Satre	Helena	1/2011
Jim Turcotte	Helena	1/2009
Dan Weinberg	Senate Liaison	
Tom McGillvray	House of Representatives Liaison	

Administrative Officials

Carroll South, Executive Director

Geri Burton, Deputy Director

Cliff Sheets, Chief Investment Officer

Gayle L. Moon, Accounting Fiscal Manager

For additional information concerning the Montana Board of Investments, contact:

Carroll South, Executive Director
 PO Box 200126
 Helena MT 59620-0126
 (406) 444-0001
 E-mail: csouth@mt.gov

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LEGISLATIVE AUDIT DIVISION

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Scott A. Seacat, Legislative Auditor
Tori Hunthausen,
Chief Deputy Legislative Auditor



Deputy Legislative Auditors:
James Gillett
Angie Grove

INDEPENDENT AUDITOR'S REPORT

The Legislative Audit Committee
of the Montana State Legislature:

We have audited the accompanying Statement of Net Asset Value for the state of Montana Board of Investments, Consolidated Investment Pool, as of June 30, 2007, and 2006, and the related Statement of Changes in Net Asset Value and Statement of Investment Income and Distribution for each of the fiscal years then ended. The information contained in these financial statements is the responsibility of the Board of Investments' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net asset value of the state of Montana Board of Investments, Consolidated Investment Pool, as of June 30, 2007, and 2006, and its changes in net asset value and income and distribution for the fiscal years then ended, in conformity with accounting principles generally accepted in the United States of America.

Respectfully submitted,

/s/ James Gillett

James Gillett, CPA
Deputy Legislative Auditor

November 26, 2007

STATE OF MONTANA BOARD OF INVESTMENTS
CONSOLIDATED INVESTMENT POOL FINANCIAL STATEMENTS
STATEMENT OF NET ASSET VALUE JUNE 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
Assets		
Cash	\$ 7,340,174	\$ 4,455,277
Security lending cash collateral (Note 5)	462,969,574	226,193,385
Broker receivable for securities sold but not settled (Note 2B)	14,706,862	4,525,414
Dividend and interest receivable (Note 2E)	95,054,226	49,672,385
STIP Investment portfolio at amortized cost (Note 2B)	2,789,738,734	2,190,772,793
Investment portfolios at fair value (Note 2B)	<u>9,199,895,094</u>	<u>7,976,280,020</u>
Total assets (Note 2B)	\$ <u>12,569,704,664</u>	\$ <u>10,451,899,274</u>
Liabilities		
Income due participants (Notes 2E)	\$ 34,290,689	\$ 22,764,985
Broker payable for securities purchased but not settled (Note 2B)	62,138,718	4,709,925
Security lending obligations (Note 5)	462,969,574	226,193,384
Security lending expense payable	1,932,668	960,901
Unrealized foreign exchange market gain (loss)	(82,281)	4,965
Administrative fee payable	<u>3,437,740</u>	<u>295,474</u>
Total liabilities (Note 2B)	<u>564,687,108</u>	<u>254,929,634</u>
Net asset value (Note 2B)	\$ <u>12,005,017,556</u>	\$ <u>10,196,969,640</u>
Units Outstanding (Note 2B)	2,861,083,078	2,266,072,878

STATEMENT OF CHANGES IN NET ASSET VALUE FOR FISCAL YEARS ENDING JUNE 30, 2007 AND 2007

Net asset value, beginning of year	\$ 10,196,969,640	\$ 9,211,868,922
Value of units purchased by participants (Note 2D)	8,205,929,680	7,277,536,756
Value of units sold by participants (Note 2D)	(7,314,195,416)	(6,601,767,971)
Changes in current value of investments managed (Note 2D)	<u>916,313,653</u>	<u>309,331,933</u>
Net asset value, end of year	\$ <u>12,005,017,556</u>	\$ <u>10,196,969,640</u>

STATEMENT OF INVESTMENT INCOME and DISTRIBUTION FOR FISCAL YEARS ENDED JUNE 30, 2007 AND 2006

Net realized gains (Note 2E)	\$ 11,278,625	\$ 3,386,041
Dividend/Interest income (Note 2E)	280,878,955	233,367,618
Amortization/accretion (Note 2E)	95,549,702	70,013,774
Security lending income	17,473,253	15,723,427
Security lending expense	(16,631,540)	(15,403,112)
Administrative expenses (Note 2F)	(20,288,200)	(10,239,411)
Other expenses	(873,556)	(402,453)
Income due participants, beginning of year	<u>22,764,985</u>	<u>22,791,183</u>
Income available for distribution (Note 2E)	390,152,224	319,237,067
Distribution (Note 2E)	<u>355,861,535</u>	<u>296,472,082</u>
Income due participants, end of year (Note 2E)	\$ <u>34,290,689</u>	\$ <u>22,764,985</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF MONTANA BOARD OF INVESTMENTS
CONSOLIDATED INVESTMENT POOL FINANCIAL STATEMENTS**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006**

1. HISTORY AND ORGANIZATION

The Board was created by the Legislature to manage the Unified Investment Program created by the state Constitution. The Investment Program is comprised of all state funds, including pensions, trusts, insurance, and cash. Local government entities may only invest in the Short Term Investment Pool portion of the Program. The Board manages the Investment Program pursuant to the "Prudent Expert Principle" mandated by state law, which requires an investment manager to:

(a) discharge the duties with the care, skill, prudence, and diligence, under the circumstances then prevailing, that a prudent person acting in a like capacity with the same resources and familiar with like matters exercises in the conduct of an enterprise of a like character with like aims;

(b) diversify the holdings of each fund within the unified investment program to minimize the risk of loss and to maximize the rate of return unless, under the circumstances, it is clearly prudent not to do so; and

(c) discharge the duties solely in the interest of and for the benefit of the funds forming the unified investment program.

Currently, only the nine retirement funds and the Montana State Fund (Workers' Compensation) may invest in stock. All other state funds must be invested in fixed-income type investments. Neither state law nor the state Constitution place restrictions on retirement fund investments. The funds are invested solely at the discretion of the Board pursuant to the "Prudent Expert Principle."

To facilitate management of the Investment Program, the Board has created seven investment pools (Pools) that operate similar to mutual funds. All state agencies and many local government entities participate in one or more Pools. By investing in large Pools with other participants the smaller participants are provided broad diversification that would not otherwise be possible. Some Pools are dedicated solely to the state's nine retirement funds, while others are open to other state and local government funds. The Pool creation date and the types of eligible participants for each Pool are shown below.

Eligible Participants

<u>Pool Name</u>	<u>Created</u>	<u>Participants</u>
Retirement Funds Bond Pool (RFBP)	04/01/95	Nine Retirement Funds Only
Trust Funds Bond Pool (TFBP)	10/01/95	Various State Trust Funds
Montana Domestic Equity Pool (MDEP)	07/01/80	Nine Retirement Funds/Small Trusts
Montana International Equity Pool (MTIP)	06/01/96	Nine Retirement Funds Only
Montana Private Equity Pool (MPEP)	05/01/02	Nine Retirement Funds Only
Montana Real Estate Pool (MTRP)	06/01/06	Nine Retirement Funds Only
Short Term Investment Pool (STIP)	07/01/74	All State Funds & Local Governments

Any investments not held in the pools are included in the "All Other Funds" financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Valuation & Timing – The value of stocks and bonds are recorded at both "book" and "fair" value. The book value of a stock is the average cost of the shares held. If the same stock has been purchased several times, the average of the purchase prices is the book value. The book value of bonds is the "amortized" cost, which represents the original cost, adjusted for premium and discount amortization where applicable. If bonds are purchased at more than the par value, the difference is called a premium. If they are purchased for less than par value, the difference is called discount. Premiums and discounts are amortized/accreted using the straight-line or scientific method to the call, average life, or maturity date of the securities. The fair value of publicly traded stocks and bonds is determined by reference to market prices supplied by State Street Bank (the custodial bank). Because a public market does not exist for private equity and real estate investments, the fair value of these investments is the value reported in the most

**STATE OF MONTANA BOARD OF INVESTMENTS
CONSOLIDATED INVESTMENT POOL FINANCIAL STATEMENTS**

recent external managers' valuation reports. The book value of these private investments is the capital invested less capital returned. Except for STIP, all investment portfolios presented in the Statement of Net Asset Value are at "fair" value.

Accounting for stock and bond securities is based on the "trade date", which means the sale or purchase of a security is recorded on the trade date, rather than the "settlement" date. This results in a purchased security being included in the investment portfolio on the trade date even though it will not be paid for until the settlement date. Conversely, a security that is sold will be eliminated from the investment portfolio on the trade date even though the sale proceeds will not be received until the settlement date. This delayed timing requires that "receivables" and "payables" for securities sold/purchased but not yet settled must be reported in the financial statement and calculated in the Net Asset Value. Private equity and real estate investments are included in the portfolio when funds are wired.

Currency exposures may be hedged, partially or fully, at the discretion of the manager to preserve the U.S. dollar value of investments made. Currency speculation, such as over-hedging, reverse hedging or other trading activity not specifically aimed at preserving the U.S. dollar value of investments is not authorized.

B. Pool Net Asset Values – The Net Asset Values (NAV) of Pools must be calculated accurately to ensure that participants are paying or receiving a "fair" price when units are purchased and sold. The NAV must include not only the fair value of the investment portfolio (except for STIP at book value) but any liabilities payable by the Pool and receivables due the Pool on the date of the NAV calculation. Investment accounting is based on the "accrual" system, which means the interest due on a bond is recorded when it is due, rather than when it is received. Interest "due" is recorded as a receivable (asset) and included in the NAV on the date of the calculation. Dividend is recorded as of "ex-dividend date." Income due Pool participants is recorded on the date it is due the participants, rather than when it is actually distributed. Income due participants is recorded as a payable (liability) and included in the NAV on the date of the calculation. The effect that assets and liabilities have on the Pool NAV is depicted in the table below. The difference between Pool investment portfolios at fair value and the NAV is the net of other assets and liabilities. The STIP portfolio is shown in the Statement of Net Asset Value at amortized cost or "book" value.

**STATE OF MONTANA BOARD OF INVESTMENTS
CONSOLIDATED INVESTMENT POOL FINANCIAL STATEMENTS**

June 30, 2007 Investment Portfolios & Net Asset Value

<u>Pool</u>	<u>Book Value</u>	<u>Fair Value *</u>	<u>Net Asset Value</u>
Retirement Funds Bond Pool (RFBP)	1,969,001,908	1,964,715,151	1,969,724,339
Trust Funds Bond Pool (TFBP)	1,377,795,892	1,374,840,538	1,381,812,779
Montana Domestic Equity Pool (MDEP)	2,743,901,727	3,467,579,758	3,466,347,984
Montana International Equity Pool (MTIP)	1,278,743,938	1,612,071,367	1,615,596,682
Montana Private Equity Pool (MPEP)	515,061,200	621,897,548	621,497,145
Montana Real Estate Pool (MTRP)	156,324,730	158,790,732	157,501,002
Short Term Investment Pool (STIP)	<u>2,789,738,734</u>	<u>2,789,738,734</u>	<u>2,792,537,625</u>
Total	<u>10,830,568,129</u>	<u>11,989,633,828</u>	<u>12,005,017,556</u>

June 30, 2006 Investment Portfolios & Net Asset Value

<u>Pool</u>	<u>Book Value</u>	<u>Fair Value *</u>	<u>Net Asset Value</u>
Retirement Funds Bond Pool (RFBP)	1,852,698,544	1,837,044,446	1,848,687,000
Trust Funds Bond Pool (TFBP)	1,323,175,351	1,314,596,488	1,322,252,794
Montana Domestic Equity Pool (MDEP)	2,700,870,570	3,152,703,754	3,152,660,004
Montana International Equity Pool (MTIP)	913,072,853	1,241,048,341	1,243,449,263
Montana Private Equity Pool (MPEP)	353,158,397	400,727,301	400,382,627
Montana Real Estate Pool (MTRP)	30,159,689	30,159,689	30,035,000
Short Term Investment Pool (STIP)	<u>2,190,772,793</u>	<u>2,190,772,793</u>	<u>2,199,502,952</u>
Total	<u>9,363,908,197</u>	<u>10,167,052,813</u>	<u>10,196,969,640</u>

** STIP is recorded at amortized cost in the Fair Value column.*

The table on the following page shows the individual Pool assets, liabilities, and NAV. Included in the assets are the value of the investment portfolios, cash (if any), receivables for securities sold but not yet settled, and dividend/interest receivables. Included in the liabilities are payables for securities purchased but not yet settled, income due participants, and other miscellaneous payables. The "securities lending" asset/liability shown in the Statement of Net Asset Value nets out (one equals the other) and has no "net" effect on the Pool NAV.

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**STATE OF MONTANA BOARD OF INVESTMENTS
CONSOLIDATED INVESTMENT POOL FINANCIAL STATEMENTS**

2007 Net Asset Values by Pool

<u>Pool</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Net Asset Value</u>
Retirement Funds Bond Pool (RFBP)	2,091,941,581	122,217,242	1,969,724,339
Trust Funds Bond Pool (TFBP)	1,470,170,078	88,357,299	1,381,812,779
Montana Domestic Equity Pool (MDEP)	3,646,878,109	180,530,125	3,466,347,984
Montana International Equity Pool (MTIP)	1,774,847,610	159,250,928	1,615,596,682
Montana Private Equity Pool (MPEP)	621,897,548	400,403	621,497,145
Montana Real Estate Pool (MTRP)	159,033,212	1,532,210	157,501,002
Short Term Investment Pool (STIP)	<u>2,804,936,526</u>	<u>12,398,901</u>	<u>2,792,537,625</u>
Total	<u>12,569,704,664</u>	<u>564,687,108</u>	<u>12,005,017,556</u>

2006 Net Asset Values by Pool

<u>Pool</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Net Asset Value</u>
Retirement Funds Bond Pool (RFBP)	1,943,658,435	94,971,435	1,848,687,000
Trust Funds Bond Pool (TFBP)	1,392,680,382	70,427,588	1,322,252,794
Montana Domestic Equity Pool (MDEP)	3,170,231,135	17,571,131	3,152,660,004
Montana International Equity Pool (MTIP)	1,277,963,451	34,514,188	1,243,449,263
Montana Private Equity Pool (MPEP)	400,727,301	344,674	400,382,627
Montana Real Estate Pool (MTRP)	30,159,689	124,689	30,035,000
Short Term Investment Pool (STIP)	<u>2,236,478,881</u>	<u>36,975,929</u>	<u>2,199,502,952</u>
Total	<u>10,451,899,274</u>	<u>254,929,634</u>	<u>10,196,969,640</u>

C. Pool Participant Units – Participants purchase units in the Pools in much the same manner in which individuals invest in mutual funds. The STIP participants purchase and sell units at their discretion. All other Pool units are purchased and sold at the discretion of Board investment staff based on asset allocations approved by the Board. In order for Pool participants to purchase and sell units (except for STIP at \$1.00) the units must be “priced.” Once the NAV is calculated, the unit value is priced by dividing the NAV by the number of outstanding units. The unit value is then used when units are purchased or sold. Like securities, Pool units also have a “book” value, which is the price of the unit when it was purchased. The book value does not change unless the participant purchased additional units at different prices. The calculations for Pool unit values are shown on the following page:

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**STATE OF MONTANA BOARD OF INVESTMENTS
CONSOLIDATED INVESTMENT POOL FINANCIAL STATEMENTS**

2007 NAV - Units Outstanding - Unit Value

<u>Pool Name</u>	<u>Net Asset Value</u>	<u>Units Outstanding</u>	<u>Unit Value</u>
Retirement Funds Bond Pool (RFBP)	1,969,724,339	19,604,653	100.47
Trust Funds Bond Pool (TFBP)	1,381,812,779	14,312,848	96.54
Montana Domestic Equity Pool (MDEP)	3,466,347,984	21,153,092	163.87
Montana International Equity Pool (MTIP)	1,615,596,682	8,198,003	197.07
Montana Private Equity Pool (MPEP)	621,497,145	3,731,013	166.58
Montana Real Estate Pool (MTRP)	157,501,002	1,545,844	101.89
Short Term Investment Pool (STIP)	<u>2,792,537,625</u>	<u>2,792,537,625</u>	<u>1.00</u>
Total	<u>12,005,017,556</u>	<u>2,861,083,078</u>	NA

2006 NAV - Units Outstanding - Unit Value

<u>Pool Name</u>	<u>Net Asset Value</u>	<u>Units Outstanding</u>	<u>Unit Value</u>
Retirement Funds Bond Pool (RFBP)	1,848,687,000	18,521,148	99.81
Trust Funds Bond Pool (TFBP)	1,322,252,794	13,757,064	96.11
Montana Domestic Equity Pool (MDEP)	3,152,660,004	22,843,210	138.01
Montana International Equity Pool (MTIP)	1,243,449,263	8,194,363	151.74
Montana Private Equity Pool (MPEP)	400,382,627	2,953,791	135.55
Montana Real Estate Pool (MTRP)	30,035,000	300,350	100.00
Short Term Investment Pool (STIP)	<u>2,199,502,952</u>	<u>2,199,502,952</u>	<u>1.00</u>
Total	<u>10,196,969,640</u>	<u>2,266,072,878</u>	NA

D. Changes in Net Asset Values – This section of the financial statement depicts the change in NAV from one year to the next. There are three components that contribute to the changes: 1) the value of participant units sold; 2) the value of participant units purchased; and 3) the change in the value of investments managed. The change in NAV for each Pool is shown in the table on the following page.

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**STATE OF MONTANA BOARD OF INVESTMENTS
CONSOLIDATED INVESTMENT POOL FINANCIAL STATEMENTS**

2007 Unit Activity & Change in Value of Investments

<u>Pool</u>	<u>Value of Units Purchased</u>	<u>Value of Units Sold</u>	<u>Change in Value of Investments</u>
Retirement Funds Bond Pool (RFBP)	109,670,000		11,367,339
Trust Funds Bond Pool (TFBP)	73,936,557	(19,469,054)	5,092,482
Montana Domestic Equity Pool (MDEP)	9,699,997	(118,345,358)	422,333,342
Montana International Equity Pool (MTIP)	880,000	(172,551)	371,439,970
Montana Private Equity Pool (MPEP)	117,500,000		103,614,518
Montana Real Estate Pool (MTRP)	125,000,000		2,466,002
Short Term Investment Pool (STIP)	7,769,243,126	(7,176,208,453)	-
Total	<u>8,205,929,680</u>	<u>(7,314,195,416)</u>	<u>916,313,653</u>

2006 Unit Activity & Change in Value of Investments

<u>Pool</u>	<u>Value of Units Purchased</u>	<u>Value of Units Sold</u>	<u>Change in Value of Investments</u>
Retirement Funds Bond Pool (RFBP)	113,200,000		(99,133,227)
Trust Funds Bond Pool (TFBP)	96,950,097	(34,220,847)	(71,316,958)
Montana Domestic Equity Pool (MDEP)	2,119,999	(38,737,366)	177,875,360
Montana International Equity Pool (MTIP)	845,000	(355,150)	246,502,650
Montana Private Equity Pool (MPEP)	47,550,000		55,404,108
Montana Real Estate Pool (MTRP)	30,035,000		
Short Term Investment Pool (STIP)	6,986,836,660	(6,528,454,608)	-
Total	<u>7,277,536,756</u>	<u>(6,601,767,971)</u>	<u>309,331,933</u>

E. Distributable Income – Bond Pool distributable income reported in the Statement of Investment Income and Distribution includes accrued interest, miscellaneous income, amortization/accretion of discount/premium, and realized gains (losses) on sales. STIP income is comprised of accrued interest and amortization of discount. Public equity, private equity, and private real estate Pools distributable income consists primarily of dividends. Realized capital gains (losses) in these Pools are not distributed unless the gains are needed to pay management fees. Income Due Participants is distributed monthly on the first calendar day of each month. Realized Bond Pool gains/losses are periodically distributed. The major distributable income for each Pool is shown on the following page.

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**STATE OF MONTANA BOARD OF INVESTMENTS
CONSOLIDATED INVESTMENT POOL FINANCIAL STATEMENTS**

2007 Major Sources of Distributable Income

<u>Pool</u>	<u>Gain (Loss)</u>	<u>Dividend\ Interest</u>	<u>Amortization\ Accretion</u>
Retirement Funds Bond Pool (RFBP)	5,056,841	101,515,996	8,121,273
Trust Funds Bond Pool (TFBP)	4,421,784	72,550,314	6,151,238
Montana Domestic Equity Pool (MDEP)		27,342,728	
Montana International Equity Pool (MTIP)		24,012,311	
Montana Private Equity Pool (MPEP)	1,800,000	8,716,185	
Montana Real Estate Pool (MTRP)		3,109,188	
Short Term Investment Pool (STIP)	-	43,632,233	81,277,191
Total	<u>11,278,625</u>	<u>280,878,955</u>	<u>95,549,702</u>

2006 Major Sources of Distributable Income

<u>Pool</u>	<u>Gain (Loss)</u>	<u>Dividend\ Interest</u>	<u>Amortization\ Accretion</u>
Retirement Funds Bond Pool (RFBP)	693,578	95,623,643	9,000,201
Trust Funds Bond Pool (TFBP)	692,463	68,387,650	6,670,908
Montana Domestic Equity Pool (MDEP)		27,960,398	
Montana International Equity Pool (MTIP)		11,920,667	
Montana Private Equity Pool (MPEP)	2,000,000	4,840,414	
Montana Real Estate Pool (MTRP)		125,023	
Short Term Investment Pool (STIP)	-	24,509,823	54,342,665
Total	<u>3,386,041</u>	<u>233,367,618</u>	<u>70,013,774</u>

Due to timing, all distributable fiscal year income may not be distributed by June 30. Any undistributed amount is recorded as a payable against the NAV of the Pool at year-end. The distributable and undistributed income is shown on the following page.

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2007 Distributable and Undistributed Income

<u>Pool Name</u>	<u>Distributable</u>	<u>Distributed</u>	<u>Undistributed</u>
Retirement Funds Bond Pool (RFBP)	124,826,037	115,615,202	9,210,835
Trust Funds Bond Pool (TFBP)	91,174,640	83,927,177	7,247,463
Montana Domestic Equity Pool (MDEP)	24,639,107	22,847,185	1,791,922
Montana International Equity Pool (MTIP)	19,159,796	17,450,695	1,709,101
Montana Private Equity Pool (MPEP)	2,810,620	2,410,217	400,403
Montana Real Estate Pool (MTRP)	2,220,061	687,851	1,532,210
Short Term Investment Pool (STIP)	125,321,963	112,923,208	12,398,755
Total	<u>390,152,224</u>	<u>355,861,535</u>	<u>34,290,689</u>

2006 Distributable and Undistributed Income

<u>Pool Name</u>	<u>Distributable</u>	<u>Distributed</u>	<u>Undistributed</u>
Retirement Funds Bond Pool (RFBP)	115,456,321	105,043,775	10,412,546
Trust Funds Bond Pool (TFBP)	83,742,385	75,383,723	8,358,662
Montana Domestic Equity Pool (MDEP)	27,675,465	25,949,216	1,726,249
Montana International Equity Pool (MTIP)	11,106,582	10,108,782	997,800
Montana Private Equity Pool (MPEP)	2,080,706	1,736,032	344,674
Montana Real Estate Pool (MTRP)	124,689		124,689
Short Term Investment Pool (STIP)	79,050,919	78,250,554	800,365
Total	<u>319,237,067</u>	<u>296,472,082</u>	<u>22,764,985</u>

F. Investment Management Fees – The Legislature sets the maximum management fee the Board may charge the accounts it manages. The maximum fee is set at the aggregate level and at the beginning of each fiscal year, the Board allocates the aggregate fees across the Pools and other accounts with investments managed outside the Pools. Custodial bank fees are paid by a statutory appropriation from the state general fund. The Board allocates custodial bank fees across the Pools and accounts invested outside the Pools and deposits the proceeds in the general fund. The State Treasurer then pays the monthly custodial bank fees from the general fund. External manager fees are paid directly from the accounts they manage. Investment management fees charged each Pool are shown on the following page.

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Fiscal 2007 Management Fees

<u>Pool</u>	<u>Board</u>	<u>Custodial Bank</u>	<u>External Managers</u>	<u>Total</u>
Retirement Funds Bond Pool (RFBP)	332,964	69,150		402,114
Trust Funds Bond Pool (TFBP)	307,722	55,354		363,076
Montana Domestic Equity Pool (MDEP)	1,079,808	170,862	3,397,267	4,647,937
Montana International Equity Pool (MTIP)	223,141	256,042	5,816,740	6,295,923
Montana Private Equity Pool (MPEP)	213,288	160,274	6,875,870	7,249,432
Montana Real Estate Pool (MTRP)	149,184	12,786	779,097	941,067
Short Term Investment Pool (STIP)	233,436	155,215	-	388,651
Total	<u>2,539,543</u>	<u>879,683</u>	<u>16,868,974</u>	<u>20,288,200</u>

Fiscal 2006 Management Fees

<u>Pool</u>	<u>Board</u>	<u>Custodial Bank</u>	<u>External Managers</u>	<u>Total</u>
Retirement Funds Bond Pool (RFBP)	261,637	78,550		340,187
Trust Funds Bond Pool (TFBP)	258,888	57,933		316,821
Montana Domestic Equity Pool (MDEP)	1,174,018	168,079	970,801	2,312,898
Montana International Equity Pool (MTIP)	252,113	270,290	1,843,956	2,366,359
Montana Private Equity Pool (MPEP)	268,426	132,331	4,166,179	4,566,936
Montana Real Estate Pool (MTRP)		333		333
Short Term Investment Pool (STIP)	211,704	124,173	-	335,877
Total	<u>2,426,786</u>	<u>831,689</u>	<u>6,980,936</u>	<u>10,239,411</u>

3. INVESTMENT COMMITMENTS

Investments in private equity and private real estate are usually made via Limited Partnership Agreements that involve many limited partners and a General Partner who is responsible for all investment decisions. The Limited Partners make an original commitment, after which capital is called as needed by the General Partner to make investments. These Agreements will usually last for a minimum of 10 years. The table on the following page shows the remaining Board commitments to private equity funds.

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**STATE OF MONTANA BOARD OF INVESTMENTS
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MPEP Commitments as of June 30, 2007

<u>Security Name</u>	<u>Original Commitment</u>	<u>Commitment Remaining</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Separate Account Partnerships	\$13,618,000	\$25,000	\$927,242	\$364,049
Brinson Non-US Partnership Trust	9,809,482	749,583	5,622,273	9,827,036
Brinson Partnership Trust 1996-2003	103,319,781	11,187,343	66,136,880	78,872,396
Adams Street Non-US Partnership Trust	16,000,000	6,299,500	8,277,775	10,283,389
Adams Street Partnership Fund	94,000,000	42,558,000	45,734,366	52,525,279
Adams Street Partners Fund V	40,000,000	2,200,000	35,513,712	35,307,981
Adams Street Global Opportunities	25,000,000	11,812,500	12,491,221	12,646,912
Affinity Asia Pacific Fund III	15,000,000	14,821,558	14,276	13,980
ArcLight Energy Partners Fund II	25,000,000	5,992,970	15,242,500	15,533,068
ArcLight Energy Partners Fund III	25,000,000	13,866,011	10,774,591	10,872,317
Buerk Dale Victor Fund III	15,000,000	14,000,000	1,000,000	763,451
Carlyle Partners Fund IV	35,000,000	11,034,377	23,685,622	27,290,338
Carlyle Venture Partners Fund III	25,000,000	19,044,994	4,432,043	4,539,786
CCMP Investors Fund II	30,000,000	22,832,992	7,022,176	6,891,683
First Reserve XI	30,000,000	27,488,000	2,338,715	2,394,463
HarbourVest Direct 2007 Fund	20,000,000	20,000,000	0	0
Hellman & Friedman Fund VI	25,000,000	20,655,160	4,344,840	4,344,840
Highway 12 Ventures	10,000,000	8,852,483	1,058,305	1,014,597
Industry Ventures Fund	10,000,000	7,743,405	2,177,574	2,239,350
JCF II LP	25,000,000	19,069,452	5,611,334	5,687,979
JLL Partners Fund V	25,000,000	11,223,667	11,420,491	12,722,347
Lehman Co-Invest Fund I	35,000,000	17,580,398	16,627,264	17,376,904
Lehman Co-Merchant Banking IV	15,000,000	15,000,000	0	0
Lexington Capital Partners Fund V	50,000,000	3,859,540	8,220,001	29,557,455
Lexington Capital Partners Fund VI-B	50,000,000	36,607,152	11,516,204	11,643,723
Madison Dearborn Partners Fund IV	18,394,269	1,876,983	14,483,099	23,029,039
Madison Dearborn Partners Fund V	25,000,000	11,490,586	13,228,164	13,198,334
MatlinPatterson Global Opportunities III	30,000,000	29,400,000	600,000	600,000
MHR Institutional Partners III	25,000,000	18,250,000	6,519,441	6,780,434
Oak Hill Capital Partners II	20,458,833	9,138,597	10,869,303	11,391,399
Odyssey Investment Partners Fund III	25,000,000	10,722,569	10,901,891	15,395,858
Portfolio Advisors Fund IV - [B]	30,000,000	23,762,981	6,424,545	6,424,545
Portfolio Advisors Fund IV - [E]	15,000,000	14,704,621	525,000	525,000
Quintana Energy Partners - TE	15,000,000	9,175,690	5,435,543	5,435,543
Terra Firma Fund III*	25,600,000	26,221,023	52,090	0
Welsh Carson Anderson & Stowe Fund IX	25,000,000	1,750,000	10,830,856	19,629,453
WCAS Capital Partners Fund IV	25,000,000	12,250,000	12,750,000	13,971,399
WCAS X	25,000,000	12,250,000	12,184,944	12,763,193
Total Private Equity Commitments	<u>\$1,071,200,365</u>	<u>\$545,497,135</u>	<u>\$404,994,279</u>	<u>\$481,857,518</u>

The table on the following page shows the remaining Board commitments to Private Real Estate Funds.

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MTRP Commitments as of June 30, 2007

<u>Private Real Estate Fund</u>	<u>Original Commitment</u>	<u>Commitment Remaining</u>	<u>Carrying Value</u>	<u>Fair Value</u>
ABR Chesapeake Fund III	\$ 20,000,000	\$ 12,000,000	\$ 8,000,000	\$ 8,000,000
AG Core Plus Realty Fund II	20,000,000	20,000,000	-	-
Apollo Real Estate Finance Corp.	10,000,000	8,790,000	\$ 1,210,000	\$ 1,102,749
Beacon Capital Partners Fund V	25,000,000	25,000,000	-	-
CIM Fund III	25,000,000	25,000,000	-	-
Hudson Realty Capital Fund IV	15,000,000	8,250,000	\$ 6,750,000	\$ 6,715,305
INVESCO Core Real Estate - USA	30,000,000	30,000,000	-	-
JER Real Estate Partners Fund IV	20,000,000	20,000,000	-	-
Liquid Realty Fund IV	30,000,000	30,000,000	-	-
Morgan Stanley Real Estate Fund VI International	25,000,000	25,000,000	-	-
Rothschild: Five Arrows Realty Securities Fund V	30,000,000	30,000,000	-	-
Strategic Partners Value Enhancement Fund	19,200,000	13,777,841	\$ 4,846,159	\$ 4,634,891
TA Associates Realty Fund VIII	20,000,000	5,000,000	\$ 5,000,000	\$ 5,000,000
Total MTRP Commitments	\$ 289,200,000	\$ 252,817,841	\$ 25,806,159	\$ 25,452,945

4. TYPES OF INVESTMENTS

Bond Pools - The bond Pools include corporate and foreign government bonds; U.S. government direct-backed and U.S. government indirect-backed bonds; and cash equivalents. U.S. government direct-backed securities include direct obligations of the U.S. Treasury and obligations explicitly guaranteed by the U.S. government. U.S. government indirect-backed obligations include U.S. government agency and mortgage-backed securities, which reflect participation in a pool of residential mortgages.

The bond Pools also include structured financial instruments known as REMIC securities (Real Estate Mortgage Investment Conduits). These investments are pass-through vehicles for multi class mortgage-backed securities and some may be interest-only strips (IO). These investments represent the separate purchase of the principal and interest cash flows of a mortgage security and receive cash flows from the interest payment component on underlying mortgage loans. These securities are identified and reported as U.S. government indirect-backed in the investment risk and portfolio disclosures.

Public Equity Pools -The public equity Pools may include common stock, equity index shares, preferred stock, convertible equity securities, American Depositary Receipts (ADR), equity derivatives, and commingled funds. Common stock represents ownership units (shares) of a public corporation. Common stock owners may vote on director selection and other important matters and receive dividends if the company pays dividends. Equity index investments are comprised of shares in institutional commingled funds with equity portfolios that match a broad based index or specific industry composite. Preferred stocks pay dividends at a specified rate and have preference in the payment of dividends and liquidation of assets. Preferred stock holders do not usually have voting rights.

Convertible securities permit the holder to exchange, or "convert" the instrument for other securities of the issuer or of another issuer. This definition most often applies to preferred stocks or corporate bonds carrying the right to exchange for a fixed number of shares of the issuer's common stock. ADR investments are receipts issued by a US depositary bank representing shares of a foreign stock or bonds held abroad by the foreign sub-custodian of the American depositary bank. Equity derivatives, such as futures and options, "derive" their value from underlying equity instruments. An institutional commingled fund combines assets from several institutional investors that are blended or pooled together, to reduce management and administration costs. The investor buys shares in the fund.

The MDEP portfolio is limited to domestic stock or ADR investments, while the MTIP portfolio may include holdings of securities of foreign-based corporations listed on legal and recognized foreign exchanges as well as domestic exchanges. The MTIP portfolio invests in both developed and emerging markets.

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Alternative Investment Pools - The private equity Pool (MPEP) may include venture capital, leveraged buyout, mezzanine, distressed debt, special situation and secondary investments. These investments are made via Limited Partnership Agreements in which the Board and other institutional investors invest as Limited Partners in funds managed by a General Partner. These investments are riskier with higher potential return than public equity investments and are less liquid because the funds are usually committed for at least 10 years. Because of the risk and illiquidity, these investments are limited to sophisticated investors only.

The private real estate Pool (MTRP) includes investments in core, value-added, and opportunistic real estate. Core investments are the least risky with the lowest return and are usually managed in commingled accounts in which the investor purchases shares. Value-added and opportunistic real estate investments provide more risk and return and are less liquid than core investments. These investments are usually made through Limited Partnership Agreements. The MTRP invests its cash in STIP.

STIP - This Pool is managed to preserve principal, while obtaining money market type returns and 24-hour liquidity. Funds may be invested for one or more days. Although it is not registered with the Securities and Exchange Commission (SEC) as an investment company, STIP is managed consistent with the SEC rule 2a7 of the Investment Company Act of 1940. As a 2a7-like pool, the STIP utilizes an amortized cost unit value to report net assets. The portfolio may include asset-backed securities, commercial paper, corporate, U.S. government direct-backed, U.S. government indirect-backed, repurchase agreements, institutional money market funds, and variable-rate (floating-rate) instruments. Investments must have a maximum maturity of 397 days or less unless they have rate reset dates. The portfolio is carried at amortized cost or book value with a constant unit value of \$1.00.

Asset-backed securities are debt securities collateralized by a pool of mortgage and non-mortgage assets such as trade and loan receivables, equipment leases, credit cards, etc. Commercial paper is unsecured short-term debt with maturities ranging from 1 to 270 days. Commercial paper issued at a discount, direct or by brokers, is backed by bank credit lines. U.S. government direct-backed securities include direct obligations of the U.S. Treasury and obligations explicitly guaranteed by the U.S. government. U.S. government indirect-backed obligations include U.S. government agency and mortgage-backed securities. Repurchase agreements (REPO) represent an agreement between a seller and a buyer, usually of U.S. government securities, whereby the seller agrees to repurchase the securities at an agreed upon price and stated time. Variable-rate (floating-rate) securities pay a variable rate of interest until maturity. The STIP portfolio's variable-rate securities float with LIBOR (London Interbank Offered Rate).

5. SECURITIES LENDING

The Board is authorized by law to lend its securities and contracts with the custodial bank to lend its publicly traded securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The Board contracts with the custodial bank to lend its securities. The custodial bank is required to maintain collateral equal to 102 percent of the fair value of domestic securities and 105 percent of the fair value of international securities while the securities are on loan. The Board and the bank split the earnings on security lending activities.

During fiscal years 2007 and 2006, the custodial bank loaned Board public securities and received U.S. dollar currency cash, U.S. government and government sponsored securities, U.S. corporate debt securities, supranational agencies debt, asset backed securities, and irrevocable bank letters of credit as collateral. The custodial bank cannot pledge or sell collateral securities unless the borrower defaults. The Board imposed no restrictions on the amount of securities available to lend during fiscal years 2007 and 2006. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the period nor were there losses resulting from a default of borrowers.

During fiscal years 2007 and 2006, the Board and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received for each loan was invested, together with the cash collateral of other qualified plan lenders, in a collective investment pool. The Securities Lending Quality Trust has a weighted average maturity of 66 and 56 days, respectively, as of June 30, 2007 and 2006. The Quality D Trust has a weighted average maturity of 68 and 58 days, respectively, as of June 30, 2007 and 2006. The relationship between the average maturities of the investment pool and the Board's loans was affected by the maturities of the loans made by other plan entities that invested cash collateral in the collective investment pool, which the Board could not determine. At year-end, the Board had no credit risk exposure to borrowers because the collateral pledged by the borrowers exceeded the

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value of the securities borrowed. The private equity and real estate Pools do not participate in securities lending. The Pool securities on loan and the collateral pledged are shown below.

<u>Pool</u>	<u>On Loan 6/30/2007</u>	<u>Collateral Cash</u>	<u>Collateral Securities</u>	<u>Collateral Total</u>
Retirement Funds Bond Pool (RFBP)	612,237,767	86,995,499	538,088,375	625,083,874
Trust Funds Bond Pool (TFBP)	449,744,374	61,184,725	397,968,750	459,153,475
Montana Domestic Equity Pool (MDEP)	167,729,961	169,065,232	3,279,200	172,344,432
Montana International Equity Pool (MTIP)	184,229,316	145,724,118	45,487,112	191,211,230
Short Term Investment Pool (STIP)	30,305,594	-	30,918,750	30,918,750
Total	1,444,247,012	462,969,574	1,015,742,187	1,478,711,761

<u>Pool</u>	<u>On Loan 6/30/2006</u>	<u>Collateral Cash</u>	<u>Collateral Securities</u>	<u>Collateral Total</u>
Retirement Funds Bond Pool (RFBP)	81,700,961	84,096,961	381,000	84,477,961
Trust Funds Bond Pool (TFBP)	68,572,311	61,814,106	9,269,000	71,083,106
Montana Domestic Equity Pool (MDEP)	12,629,239	12,879,680	-	12,879,680
Montana International Equity Pool (MTIP)	30,130,180	31,330,825	148,092	31,478,917
Short Term Investment Pool (STIP)	35,412,486	36,071,813	-	36,071,813
Total	228,445,177	226,193,385	9,798,092	235,991,477

6. INVESTMENT RISK DISCLOSURES

Effective June 30, 2005, the Board implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 40 – Deposit and Investment Risk Disclosures. The investment risk disclosures are described in the following paragraphs.

Credit Risk - Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligation. With the exception of the U.S. government securities, the RFBP and TFBP fixed income instruments have credit risk as measured by major credit rating services. This risk is that the issuer of a fixed income security may default in making timely principal and interest payments. The Board of Investments' policy requires RFBP and TFBP fixed income investments, at the time of purchase, to be rated an investment grade as defined by Moody's or by Standard & Poor's (S&P) rating services. The U.S. government securities are guaranteed directly or indirectly by the U.S. government. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. The credit ratings presented in the tables below are provided by the S&P rating services. If an S&P rating is not available, a Moody's rating has been used.

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the Board may not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. As of June 30, 2007 and 2006, all the public securities as well as securities held by the separate public equity account managers were registered in the nominee name for the Montana Board of Investments and held in the possession of the Board's custodial bank, State Street Bank. State Street repurchase agreements are purchased in the State of Montana Board of Investments name. Commingled fund investments are registered in the name of the Montana Board of Investments.

Concentration of credit risk - is the risk of loss attributed to the magnitude of an investor's investment in a single issuer. Investments issued or explicitly guaranteed by the U.S. government are excluded from the concentration of credit risk requirement.

Bond Pool Investment Policy states: "with the exception of U.S. government indirect-backed (agency) securities,

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additional purchases will not be made in a credit if the credit risk exceeds 2 percent of the portfolio at the time of purchase". The RFBP had concentration of credit risk exposure to the Federal Home Loan Mortgage Corp of 5.39% as of June 30, 2007 and 5.50% as of June 30, 2006, while the TFBP had concentration of credit risk exposure to the same issuer of 10.10% as of June 30, 2007 and 7.75% as of June 30, 2006.

MDEP As of June 30, 2007 and 2006, there were no single issuer investments that exceeded 5% of the MDEP portfolio.
STIP The STIP portfolio, by issuer, had no concentration of credit risk exposure as of June 30, 2007. The STIP had concentration of credit risk exposure to the Federal Home Loan Bank of 6.59 percent as of June 30, 2006.

Foreign Currency Risk - Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The U.S. dollar balances of the MTIP cash are disclosed by currency.

MTIP Cash by Currency

<u>Cash</u>	2007		2006	
	<u>Book Value</u>	<u>Fair Value</u>	<u>Book Value</u>	<u>Fair Value</u>
Australian Dollar	\$ 783,649	\$ 793,356	\$ 66,735	\$ 67,808
Brazilian Real	392	394	0	0
Canadian Dollar	17,288	17,519	0	0
Danish Krone	52,320	52,305	0	0
Hong Kong Dollar	320,105	319,990	699,971	699,204
Hungarian Forint	23,887	24,173	0	0
Euro	1,260,859	1,268,195	0	0
Israeli Shekel	9,087	9,146	0	0
Japanese Yen	3,026,127	2,984,194	1,304,411	1,317,040
South Korean Won	43,322	43,384	23,893	24,146
Malaysian Ringgit	27,370	27,337	8,722	8,722
Mexican Peso	1,907	1,906	0	0
Norwegian Krone	438,783	447,978	2,493	2,509
Singapore Dollar	86,407	86,409	1,364,829	1,367,218
Swedish Krona	72,304	71,973	0	0
Swiss Franc	544,770	540,157	0	0
New Taiwan Dollar	62,470	62,997	167,596	168,231
Thailand Baht	12,169	12,176	0	0
Turkish Lira	3,802	3,812	0	0
UK British Pound	383,867	388,486	0	0
US Dollar	188	188	0	0
Total Cash	\$ <u>7,171,073</u>	\$ <u>7,156,075</u>	\$ <u>3,638,650</u>	\$ <u>3,654,878</u>

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Interest Rate Risk - Bond Pool Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with GASB Statement No. 40, the Board utilizes the effective duration method to disclose interest rate risk. This method provided by the custodial bank is "An option-adjusted measure of a bond's (or portfolio's) sensitivity to changes in interest rates. Duration is calculated as the average percentage change in a bond's value (price plus accrued interest) under shifts of the Treasury curve plus/minus 100 basis points. The effective duration method incorporates the effect of the embedded options for bonds and changes in prepayments for mortgage-backed securities (including pass-through securities, CMO, and ARM securities)."

Corporate asset-backed securities are based on cash flows from principal and interest payments on underlying auto loan receivables, credit card receivables, and other assets. These securities, while sensitive to prepayments due to interest rate changes, have less credit risk than securities not backed by pledged assets.

As reported in the U.S. government indirect-backed category, the RFBP portfolio held REMIC securities totaling \$303,613 and \$387,052 at amortized cost, respectively, as of June 30, 2007 and June 30, 2006, while the TFBP portfolio held REMIC securities totaling \$57,019 and \$84,804 at amortized cost respectively. These securities are based on separate or combined cash flows from principal and interest payments on underlying mortgages.

Interest Only (IO) securities are more sensitive to prepayments by mortgagees resulting from interest rate changes than other REMIC securities. The IO REMIC securities purchased by the RFBP in August and September 1992 carry an amortized cost of \$3 as of June 30, 2007 and June 30, 2006. These securities matured in August and September 2007.

The RFBP and TFBP each held one inverse variable rate corporate \$25 million and \$15 million par bond respectively. The quarterly coupon is calculated at an increased set rate less the 12 month LIBOR in arrears. As interest rates increase, the coupon paid will decline.

Bond Pool investments are categorized below to disclose credit and interest rate risk as of June 30, 2007 and June 30, 2006. Credit risk reflects the bond quality rating, by investment type, as of the June 30 report date. Interest rate risk is disclosed using effective duration. If a bond investment type is unrated, the quality type is indicated by NR (not rated). Both the credit quality ratings and duration have been calculated excluding cash equivalents. If duration has not been calculated, duration is indicated by NA (not applicable).

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**STATE OF MONTANA BOARD OF INVESTMENTS
CONSOLIDATED INVESTMENT POOL FINANCIAL STATEMENTS**

RFBP Credit Quality Rating and Effective Duration as of June 30, 2007

<u>Security Investment Type</u>		<u>Fair Value</u>	<u>Credit Quality Rating</u>	<u>Effective Duration</u>
Corporate Bonds (Rated)	\$	969,566,185	A	5.01
Corporate Bonds (Unrated)		8,030,395	NR	5.61
U.S. Government Direct-Backed		75,036,052	AAA	6.09
U.S. Government Indirect-Backed		798,830,104	AAA	5.50
Short Term Investment Pool (STIP)		<u>113,252,415</u>	<u>NR</u>	<u>NA</u>
Total Fixed Income Investments	\$	<u>1,964,715,151</u>	<u>AA</u>	<u>5.27</u>
Securities Lending Collateral Investment Pool	\$	<u>86,995,499</u>	NR	NA

RFBP Credit Quality Rating and Effective Duration as of June 30, 2006

<u>Security Investment Type</u>		<u>Fair Value</u>	<u>Credit Quality Rating</u>	<u>Effective Duration</u>
Corporate Bonds (Rated)	\$	930,859,199	A	5.20
Corporate Bonds (Unrated)		13,928,888	NR	3.81
Foreign Government Bonds		4,850,000	BBB	5.83
U.S. Government Direct-Backed		55,508,068	AAA	6.87
U.S. Government Indirect-Backed		722,333,929	AAA	4.73
State Street Repurchase Agreement* (Rated)		447,861	AA-	NA
Short Term Investment Pool (STIP)		<u>109,116,501</u>	<u>NR</u>	<u>NA</u>
Total Fixed Income Investments	\$	<u>1,837,044,446</u>	<u>AA-</u>	<u>5.05</u>
Securities Lending Collateral Investment Pool	\$	<u>84,096,961</u>	NR	NA

* At June 30, 2006, the State Street Bank repurchase agreement was collateralized at \$449,375 by a AAA rated Federal National Mortgage Association note maturing May 15, 2008.

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**STATE OF MONTANA BOARD OF INVESTMENTS
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TFBP Credit Quality Rating and Effective Duration as of June 30, 2007

<u>Security Investment Type</u>	<u>Fair Value</u>	<u>Credit Quality Rating</u>	<u>Effective Duration</u>
Corporate Bonds (Rated)	\$ 672,495,745	A	4.75
Corporate Bonds (Unrated)	1,319,514	NR	0.94
Municipal Government Bonds (Rated)	1,180,500	AAA	1.85
Municipal Government Bonds (Unrated)	2,287,149	NR	4.74
U.S. Government Direct-Backed	47,634,484	AAA	8.78
U.S. Government Indirect-Backed	587,139,201	AAA	5.56
Short Term Investment Pool (STIP)	62,783,945	NR	N/A
Total Fixed Income Investments	\$ 1,374,840,538	AA	5.25
Securities Lending Collateral Investment Pool	\$ 61,184,725	NR	NA

TFBP Credit Quality Rating and Effective Duration as of June 30, 2006

<u>Security Investment Type</u>	<u>Fair Value</u>	<u>Credit Quality Rating</u>	<u>Effective Duration</u>
Corporate Bonds (Rated)	\$ 643,216,700	A	4.93
Corporate Bonds (Unrated)	3,812,700	NR	1.48
Foreign Government Bonds	9,700,000	BBB	5.83
Municipal Government Bonds (Rated)	1,167,858	AA	2.70
Municipal Government Bonds (Unrated)	2,656,472	NR	3.94
U.S. Government Direct-Backed	58,629,125	AAA	7.37
U.S. Government Indirect-Backed	509,562,146	AAA	4.77
State Street Repurchase Agreement* (Rated)	268,717	AA-	N/A
Short Term Investment Pool (STIP)	85,582,770	NR	N/A
Total Fixed Income Investments	\$ 1,314,596,488	AA-	4.97
Securities Lending Collateral Investment Pool	\$ 61,814,106	NR	NA

* At June 30, 2006, the State Street Bank repurchase agreement was collateralized at \$269,625 by a AAA rated Federal Home Loan Mortgage Corporation note maturing May 15, 2008.

STIP investments are categorized on the next page to disclose credit risk as of June 30, 2007 and June 30, 2006. Credit risk reflects the security quality rating by investment type, as of the June 30 report date. If a security investment type is unrated, the quality type is indicated by NR (not rated). Although the STIP investments have been rated by investment security type, STIP, as an external investment pool, has not been rated.

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STIP Credit Quality Ratings as of June 30, 2007

Security Investment Type	Amortized Cost	Credit Quality Rating
Commercial Paper	\$ 1,854,755,464	A1+
Corporate Fixed	475,001,174	A1+
Corporate Variable-Rate	379,982,640	A1+
Municipal Variable Rate (Unrated)	5,000,000	NR
Money Market Funds	25,000,000	A1+
U.S. Government Indirect-Backed	<u>49,999,456</u>	<u>A1+</u>
Total Investments	\$ <u>2,789,738,734</u>	<u>A1+</u>
Securities Lending Collateral Investment Pool	\$ <u>-</u>	NR

STIP Credit Quality Ratings as of June 30, 2006

Security Investment Type	Amortized Cost	Credit Quality Rating
Commercial Paper	\$ 1,421,275,802	A1
Corporate Fixed	295,001,150	A1+
Corporate Variable-Rate	224,996,794	A1+
U.S. Government Indirect-Backed	<u>249,499,047</u>	<u>A1+</u>
Total Investments	\$ <u>2,190,772,793</u>	<u>A1+</u>
Securities Lending Collateral Investment Pool	\$ <u>36,071,813</u>	NR

Specific Legal and Credit Risk - As of June 30, 2006, Northwest Airlines Inc. presented a credit risk to the Board. The RFBP and TFBP held \$5,745,000 and \$9,255,000 respectively of par 4.64% Northwest Airlines Inc. real estate backed bond maturing July 7, 2010. These bonds are secured by Northwest Airlines Inc.'s corporate headquarters building and land. Because Northwest Airlines Inc. emerged from bankruptcy on May 31, 2007, this bond is no longer considered a credit risk.

As of June 30, 2007 and June 30, 2006, Burlington Industries, Inc. presented a legal and credit risk to the Board. The RFBP and TFBP held Burlington Industries, Inc., \$6 million and \$4 million par respectively of a 7.25% bond maturing September 15, 2005. In September 2000, the company announced a reduction of stockholders equity. Due to an increasing senior bank line and declining credit trend, the bond ratings for this issue were downgraded, in May 2001, by the Moody's and Standard & Poor's rating agencies. During fiscal year 2001, the RFBP book value of Burlington Industries Inc. was reduced from the August 31, 2000 book value of \$5,609,640 to \$2,400,000 and the TFBP book value reduced from the August 31, 2000 book value of \$3,739,760 to \$1,600,000. Due to the company's filing for Chapter 11 bankruptcy protection on November 11, 2001, the RFBP book value was reduced again to \$1,200,000., while the TFBP book value was reduced to \$800,000. In October 2003, Burlington Industries, Inc. received court approval to sell its assets. Under the company's recovery plan, the RFBP received \$1,454,961 in August 2004 for its unsecured claim and the TFBP received \$969,974. This transaction reduced the RFBP book value to \$0 and generated a gain of \$254,961 and reduced the TFBP book value to \$0 and generated a gain of \$169,974. In February 2005 and May 2005, the RFBP

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received an additional \$208,771 and \$194,247, respectively, for its unsecured claim, while the TFBP received an additional \$139,180 and \$129,498, respectively. In May 2006, the RFBP received an additional payment of \$158,278, while the TFBP received an additional \$105,519. The RFBP and TFBP received the final distribution of \$74,177 and \$49,452 respectively in July 2007.

7. DEUTSCHE BANK SECURITIES, INC. COMPLAINT

The Board received a summons and complaint, dated September 3, 2002, regarding the RFBP and TFBP sale of a Pennzoil Quaker State, \$5 million par, 6.75% corporate bond maturing April 1, 2009 of \$5 million and \$8 million par respectively. Deutsche Bank Securities claimed a "breach of contract" for the March 25, 2002 sale of the bond at a price of \$94.669 plus accrued interest. Deutsche Bank Securities sought damages of \$538,632 and \$861,811 from the RFBP and TFBP respectively for the additional costs incurred to acquire the bond from third parties, plus any statutory interest, costs and expenses. On October 1, 2002, Shell Oil Company acquired Pennzoil and subsequently announced a public tender of Pennzoil Quaker State debt. The Board tendered the Pennzoil Quaker State holdings on October 8, 2002 at a price of \$113.099. The tender was accepted with a settlement date of November 1, 2002. On November 4, 2002, the RFBP received \$5,683,075 in principal and interest plus a \$150,000 consent fee, while the TFBP received \$9,092,920 in principal and interest plus a \$240,000 consent fee.

On December 11, 2003, the Supreme Court of the State of New York, New York County, entered an order dismissing Deutsche Bank's complaint on jurisdictional grounds. Deutsche Bank appealed that decision to the Appellate Division, which on June 14, 2005 reversed the Supreme Court and entered an order determining the Board to be liable and remanding the matter back to the Supreme Court for a determination of damages. The Board appealed that decision to the New York Court of Appeals, which on June 6, 2006 affirmed the Appellate Division's decision. The Board petitioned for certiorari to the United States Supreme Court on certain jurisdictional issues but the Court did not act. On March 28, 2007, the Board reached a settlement of \$666,600 and \$1,066,800 respectively for the RFBP and TFBP.

8. CLASS ACTION LITIGATION

Class action litigation results from fraudulent activity damaging the Board's investments. The Board contracts with the law firm Barrack, Rodos & Bacine to ensure that the Board participates in all class action litigation to which it is entitled to participate. While the custodial bank has the responsibility to file class actions on behalf of the Board, the law firm will monitor transactions that may entitle the Board to be a party in any class action litigation. The firm accesses Board portfolios and securities transactions on the custodial bank's accounting system and requests written documentation from the bank that the claims have been filed. While the Board has never pursued becoming a lead plaintiff in class action litigation, under certain circumstances the Board's fiduciary responsibility may require it to act as a lead or co-lead plaintiff to recover funds lost to fraud or other questionable activity.

9. MDEP REORGANIZATION

On May 8, 2007, the Board approved a staff recommendation to diversify the Board's domestic equity exposure. The revised allocation involves four strategy categories that will be used as the framework for constructing the Large Cap portion of the MDEP. These categories are Passive, Enhanced Index, Style-based (Value and Growth), and Partial Long/Short. These actions resulted in funding five new external managers, in total, approximately \$827 million in August 2007. The new external managers are listed as follows:

Barrows, Hanley, Mewhinney & Strauss, Inc.	Columbus Circle Investors
Quantitative Management Associates	Rainier Investment Management
Renaissance Investment Management	

10. RESTATEMENTS

MDEP - Due to the correction of an error as of June 30, 2006, the MDEP Interest Receivable amount of \$3,267,046 has been restated as \$110,512 and the Dividend Receivable amount of \$1,380,655 has been restated as \$1,349,014 to report a Broker Receivable for Securities sold but not settled of \$3,188,175.

STIP - Based on subsequent research of GASB Statement No. 31 – Accounting and Financial Reporting for Certain Investments and for External Investment Pools, "government external investment pools that are 2a7-like pools are permitted to report their investments at amortized cost". Because amortized cost is preferable for 2a7-like pools, the

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Investments Managed at Fair Value (amortized cost of \$2,190,772,793 in 2006) of \$2,188,845,628 has been restated to reflect the amortized cost of \$2,190,772,793. The Unrealized Loss of \$1,927,165, attributed to pricing the portfolio at fair value on June 30, 2006, has been eliminated.

11. ACCOUNTING CHANGE

In prior years, the Board issued separate financial statements for each investment Pool. Beginning with the fiscal years ended June 30, 2007 and 2006, the Board prepared consolidated financial statements for all seven investment Pools. A consolidated financial statement better represents the scope, diversity, and size of the Unified Investment Program.

12. SUBSEQUENT EVENTS

MDEP - On July 31, 2007, the internally managed domestic equity portfolio was liquidated and the proceeds reinvested with external managers.

STIP – In April 2007, the Board purchased two issues of Axon Financial Funding totaling \$90 million par. As of June 30, 2007, these corporate variable rate securities held in the STIP portfolio (Note 13) carried a combined amortized cost of \$89,993,901 representing 3.22% of the total portfolio. At the time of purchase and as of June 30, 2007, these issues received the highest investment grade rating of AAA by Standard & Poors and Aaa by Moody's. As of September 14, 2007, these issues were still rated AAA by Standard and Poors. Standard and Poors downgraded these two issues to BBB on October 30, 2007 and CCC on November 9, 2007. As of November 26, 2007, the Board still holds these two issues at amortized cost in the STIP portfolio.

13. YEAR END PORTFOLIOS

The June 30, 2007 portfolios of each Pool are listed on the following pages. The security type percentage is based on the fair value or the amortized cost ratio of the specific security investment type to the total portfolio.

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<u>Security Name</u>	<u>Retirement Funds Bond Pool</u>		<u>Par</u>	<u>Book Value</u>	<u>Fair Value</u>	<u>%</u>
	<u>Coupon</u>	<u>Maturity</u>				
SHORT TERM INVESTMENT POOL	NA	NA	113,252,415	113,252,415	113,252,415	5.76%
Cash Equivalents	1 Issue(s)		113,252,415	113,252,415	113,252,415	5.76%
AA / FT WORTH HQ FINANCE TRUST	5.500	10/05/10	5,172,099	5,172,099	5,139,774	0.26%
AOL TIME WARNER INC	6.750	04/15/11	10,000,000	10,352,122	10,340,940	0.53%
ACE INA HOLDINGS INC	5.700	02/15/17	3,000,000	3,010,772	2,918,106	0.15%
AERO 1 HQ FINANCE TRUST	4.640	07/07/10	5,745,000	5,745,000	5,587,013	0.28%
AMERICA WEST AIRLINES EQUIPMENT TRUST	7.930	01/02/19	4,069,435	4,069,435	4,382,578	0.22%
AMERICAN EXPRESS CO	4.750	06/17/09	3,000,000	2,998,033	2,968,671	0.15%
AMERICAN GENERAL FINANCE CORP	4.625	05/15/09	6,000,000	6,010,759	5,917,164	0.30%
ANHEUSER BUSCH COS INC	5.600	03/01/17	3,000,000	3,011,055	2,927,652	0.15%
ARIA CDO	VAR	10/10/12	25,000,000	25,000,000	27,087,500	1.38%
ATCHISON TOPEKA + SANTA FE RY	6.550	01/06/13	4,276,974	4,276,974	4,355,152	0.22%
B J SERVICES	5.750	06/01/11	7,000,000	6,992,786	6,993,798	0.36%
BANC AMER COML MTG TRUST 2007-1	5.381	01/15/49	15,000,000	15,070,191	14,816,840	0.75%
BANC AMER COML MTG TRUST 2006-4	5.363	07/10/46	3,711,835	3,719,483	3,700,007	0.19%
BANC AMER COML MTG TRUST 2006-5	5.185	09/10/47	9,438,531	9,456,897	9,360,603	0.48%
BANC AMER COML MTG TRUST 2007-2	5.634	04/10/49	9,000,000	9,044,680	8,983,182	0.46%
BAYERISCHE LANDESBANK	VAR	09/27/11	25,000,000	25,000,000	20,781,250	1.06%
BEAR STEARNS COML MTG TRUST 2007 PW16	5.593	06/11/40	10,000,000	10,024,873	10,024,957	0.51%
BELLSOUTH CORP	4.750	11/15/12	2,000,000	1,996,720	1,911,372	0.10%
BELLSOUTH TELECOMM INC	6.300	12/15/15	11,530,200	12,361,613	11,671,722	0.59%
BISHOPSGATE CDO LTD	5.180	06/30/10	25,000,000	25,000,000	24,542,500	1.25%
BURLINGTON NORTHERN RR CO	7.970	01/01/15	2,773,570	2,773,570	2,773,570	0.14%
BURLINGTON NORTHERN RR CO	6.940	01/02/14	2,715,398	2,715,398	2,715,398	0.14%
BURLINGTON NORTHERN + SANTA FE	4.575	01/15/21	2,309,254	2,242,681	2,170,090	0.11%
CYPRESSTREE SYNTHETIC CDO	VAR	12/30/10	25,000,000	25,000,000	25,722,500	1.31%
CIT GROUP INC	5.800	07/28/11	6,000,000	5,996,626	5,984,316	0.30%
CSX CORP	7.900	05/01/17	5,000,000	5,080,041	5,581,487	0.28%
CVS CAREMARK CORP	5.750	06/01/17	5,000,000	4,931,305	4,824,110	0.25%
CANADIAN NATIONAL RAILWAY CO	6.800	07/15/18	6,000,000	5,973,884	6,425,549	0.33%
CANADIAN PACIFIC LTD	9.450	08/01/21	5,000,000	5,115,946	6,637,783	0.34%
CAPITAL ONE BANK	5.000	06/15/09	6,000,000	5,995,562	5,953,842	0.30%
CENTEX CORP	4.550	11/01/10	9,000,000	8,992,185	8,584,344	0.44%
CHICAGO + NORTH WESTERN RY	8.910	01/01/15	6,946,653	6,946,653	7,668,442	0.39%
CITIGROUP INC	6.200	03/15/09	5,000,000	4,940,565	5,080,710	0.26%
COMCAST CORP	7.050	03/15/33	3,000,000	3,262,374	3,096,396	0.16%
COMCAST CORP	5.450	11/15/10	3,000,000	3,006,246	2,984,349	0.15%
COMMERCIAL MORTGAGE TRUST 2006-C7	5.540	06/10/46	7,076,548	7,087,858	7,084,437	0.36%
CONOCOPHILLIPS CANADA	5.625	10/15/16	7,000,000	6,999,480	6,887,755	0.35%
CONTINENTAL AIRLINES EQUIPMENT TRUST	6.545	08/02/20	6,234,431	6,234,431	6,343,534	0.32%
CORPORATE PROPERTY REIT	7.875	03/15/16	12,000,000	12,038,705	13,528,954	0.69%
CREDIT SUISSE FIRST BOSTON USA	6.500	01/15/12	10,000,000	10,485,210	10,357,760	0.53%
DOT HEADQUARTERS II LEASE MORTGAGE	6.001	12/07/21	30,000,000	30,000,000	30,093,600	1.53%
DEER PARK REFINING L P	6.470	12/15/08	2,050,100	2,044,215	2,065,576	0.11%
DONNELLEY R R + SONS CO	4.950	04/01/14	5,000,000	4,715,530	4,567,835	0.23%
DUN + BRADSTREET CORP	5.500	03/15/11	10,000,000	9,998,888	9,954,040	0.51%
EASTERN ENERGY LTD	7.250	12/01/16	5,000,000	4,957,650	5,578,864	0.28%
EL PASO NATURAL GAS CO	8.625	01/15/22	5,000,000	5,169,194	5,833,440	0.30%
ENTERGY ARKANSAS INC	4.500	06/01/10	7,000,000	6,981,915	6,776,942	0.34%
FPL ENERGY NATIONAL WIND LLC	5.608	03/10/24	2,682,270	2,682,270	2,601,507	0.13%
FIRST CHICAGO CORP	6.375	01/30/09	4,000,000	3,938,886	4,067,402	0.21%
FIRST UNION BANK N C	5.800	12/01/08	6,000,000	5,904,562	6,049,211	0.31%
FLORIDA GAS TRANSMISSION CO	9.190	11/01/24	9,000,000	8,958,443	9,939,060	0.51%
FORD MOTOR CREDIT CO	7.375	10/28/09	8,000,000	8,003,040	7,974,603	0.41%
FORTUNE BRANDS INC	5.375	01/15/16	4,000,000	3,978,503	3,713,780	0.19%
GSPA MONETIZATION TRUST	6.422	10/09/29	13,000,000	13,114,232	13,012,740	0.66%
GALENA CDO I	VAR	01/11/13	12,000,000	12,000,000	12,144,000	0.62%
GENERAL AMERICAN TRANSN CORP EQUIP TR	8.420	01/01/15	6,329,110	6,329,110	6,903,854	0.35%
GE COML MTG CORP TRUST 2002-C3	5.417	12/10/49	15,000,000	15,073,129	14,829,806	0.75%

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<u>Security Name</u>	<u>Retirement Funds Bond Pool</u>			<u>Book Value</u>	<u>Fair Value</u>	<u>%</u>
	<u>Coupon</u>	<u>Maturity</u>	<u>Par</u>			
GENERAL ELECTRIC CAPITAL CORP	8.125	05/15/12	5,000,000	5,139,596	5,544,055	0.28%
GENERAL ELECTRIC CAPITAL CORP	5.000	01/08/16	3,000,000	2,983,322	2,841,858	0.14%
GENERAL MOTORS ACCEPTANCE CORP	6.125	08/28/07	5,000,000	5,000,617	5,000,220	0.25%
GENWORTH FINANCIAL INC	5.650	06/15/12	5,000,000	4,998,664	5,021,207	0.26%
GENWORTH GLOBAL FUNDING TRUST	5.125	03/15/11	5,000,000	4,989,544	4,934,650	0.25%
GEORGIA POWER CO	5.250	12/15/15	3,000,000	3,000,152	2,893,854	0.15%
GOLDMAN SACHS GROUP INC	5.300	02/14/12	3,000,000	2,997,003	2,952,477	0.15%
GREAT RIVER ENERGY	5.829	07/01/17	13,000,000	13,000,000	13,027,170	0.66%
HSBC FINANCE CORP	5.500	01/19/16	10,000,000	9,961,465	9,636,750	0.49%
HSBC FINANCE CORP	5.900	06/19/12	5,000,000	4,993,195	5,022,180	0.26%
HAWAIIAN ELECTRIC INDS INC	6.141	08/15/11	3,000,000	3,000,000	3,023,886	0.15%
ING SEC LIFE INSTITUTIONAL FUND	4.250	01/15/10	7,000,000	6,992,213	6,802,222	0.35%
INTERNATIONAL LEASE FINANCE CORP	4.550	10/15/09	2,000,000	2,003,607	1,960,572	0.10%
INTERNATIONAL PAPER CO	4.000	04/01/10	4,000,000	4,000,693	3,839,368	0.20%
J P MORGAN CHASE COML MTG TRUST 2004N C1	4.555	06/12/41	12,000,000	11,999,890	11,822,413	0.60%
J P MORGAN CHASE COML MTG TRUST 2004-C1	3.053	01/15/38	1,834,149	1,833,635	1,773,958	0.09%
JERSEY CENTRAL POWER + LIGHT CO	5.650	06/01/17	5,000,000	4,982,696	4,854,085	0.25%
JOHNSON CONTROLS INC	5.250	01/15/11	2,000,000	1,986,354	1,979,476	0.10%
KCT INTERMODAL EQUIP TRUST 1998	6.884	08/01/18	3,151,467	3,151,467	3,294,546	0.17%
KELLWOOD CO	7.625	10/15/17	12,000,000	11,863,318	11,568,876	0.59%
KERR MCGEE CORP	7.125	10/15/27	7,000,000	7,074,537	7,424,050	0.38%
KEY BANK NA	5.450	03/03/16	10,000,000	9,997,919	9,677,150	0.49%
KRAFT FOODS INC	4.125	11/12/09	2,000,000	1,995,386	1,937,506	0.10%
LEHMAN BROTHERS HOLDINGS INC	VAR	05/25/10	5,000,000	5,000,000	4,995,585	0.25%
MGIC INVESTMENT CORP	5.375	11/01/15	10,000,000	9,879,057	9,392,410	0.48%
ML CFC COML MTG TRUST 2007-7	5.549	06/12/50	10,000,000	10,024,414	10,005,196	0.51%
MACMILLAN BLOEDEL LTD	7.700	02/15/26	10,000,000	9,856,776	10,282,958	0.52%
MARSH + MCLENNAN COS INC	7.125	06/15/09	7,000,000	6,998,434	7,192,777	0.37%
MCKESSON CORP	5.250	03/01/13	4,000,000	3,984,106	3,904,944	0.20%
MEAD CORP	7.350	03/01/17	11,000,000	10,994,063	11,838,298	0.60%
MED MAP L L C MONTANA 1994 SERIES	7.060	06/01/24	8,595,000	8,595,000	8,933,471	0.45%
MED MAP L L C MONTANA 2001 SERIES	7.000	06/01/24	5,500,000	5,500,000	5,691,895	0.29%
METLIFE INC	5.000	11/24/13	5,000,000	4,969,247	4,807,135	0.24%
METROPOLITAN LIFE GLOBAL	4.250	07/30/09	3,000,000	2,999,377	2,938,308	0.15%
MOBIL CORP	5.940	01/15/19	7,576,809	7,576,809	7,687,900	0.39%
NATIONAL CITY BANK	5.800	06/07/17	5,000,000	4,982,756	4,938,280	0.25%
NEWS AMERICA INC	6.150	03/01/37	7,000,000	7,080,857	6,452,803	0.33%
NORFOLK SOUTHERN CORP	7.700	05/15/17	6,000,000	6,020,491	6,608,096	0.34%
PPL MONTANA LLC	8.903	07/02/20	18,513,461	18,576,365	20,353,092	1.04%
PACIFIC BELL	7.250	11/01/27	6,000,000	5,965,692	6,024,229	0.31%
PANAMERICAN BEVERAGES INC	7.250	07/01/09	8,000,000	8,048,859	8,240,000	0.42%
PHILLIPS PETROLEUM CO	7.125	03/15/28	11,000,000	10,868,902	11,059,759	0.56%
PRUDENTIAL FINANCIAL INC	5.500	03/15/16	10,000,000	9,821,443	9,772,740	0.50%
PUGET SOUND POWER + LIGHT CO	5.197	10/01/15	9,000,000	8,829,963	8,571,231	0.44%
RAS LAFFAN LIQUEFIED NATURAL GAS	5.298	09/30/20	3,000,000	2,873,744	2,803,230	0.14%
SLM CORP	5.375	01/15/13	10,000,000	9,990,567	8,830,980	0.45%
ST PAUL TRAVELERS COS INC	6.250	06/20/16	2,000,000	2,119,746	2,033,028	0.10%
SEARIVER MARITIME FINANCIAL HOLDINGS	0.000	09/01/12	30,000,000	23,749,140	22,778,037	1.16%
SECURITY CAPITAL GROUP INC	7.700	06/15/28	3,000,000	3,460,987	3,528,392	0.18%
SOUTHERN UNION CO	7.600	02/01/24	7,000,000	7,030,288	7,373,096	0.38%
SOUTHWEST GAS CORP	8.375	02/15/11	6,000,000	5,992,280	6,452,459	0.33%
SOUTHWEST GAS CORP	7.625	05/15/12	5,000,000	5,395,761	5,325,930	0.27%
SOUTHWESTERN BELL TEL CO	7.000	11/15/27	3,000,000	2,997,189	2,965,211	0.15%
TTX CO	6.050	06/15/16	7,500,000	7,486,813	7,460,625	0.38%
TEXAS GAS TRANSMISSION CORP	7.250	07/15/27	3,000,000	2,799,483	3,319,076	0.17%
TIME WARNER INC	6.625	05/15/29	7,000,000	7,223,595	6,796,594	0.35%
TRANSCONTINENTAL GAS PIPE LINE	7.250	12/01/26	3,000,000	3,002,544	3,285,000	0.17%
TRAVELERS COS INC	5.375	06/15/12	2,000,000	1,990,533	1,978,186	0.10%
TRISTATE GENERATION/TRANSPORT ASSOC	6.040	01/31/18	7,167,680	7,225,047	7,081,266	0.36%

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<u>Security Name</u>	<u>Retirement Funds Bond Pool</u>			<u>Book Value</u>	<u>Fair Value</u>	<u>%</u>
	<u>Coupon</u>	<u>Maturity</u>	<u>Par</u>			
ULTRAMAR DIAMOND SHAMROCK CORP	7.200	10/15/17	3,000,000	2,985,734	3,102,350	0.16%
UNION PACIFIC CORP	4.875	01/15/15	3,000,000	2,880,243	2,799,123	0.14%
UNION PACIFIC RESOURCES GROUP INC	7.050	05/15/18	12,000,000	11,946,966	12,428,912	0.63%
UNION TANK CAR CO	7.450	06/01/09	5,000,000	5,000,000	5,184,106	0.26%
UNITEDHEALTH GROUP INC	4.875	04/01/13	3,000,000	2,859,990	2,861,001	0.15%
VERIZON COMMUNICATIONS INC	5.500	04/01/17	3,000,000	2,979,600	2,891,337	0.15%
VERIZON NORTH INC	5.634	01/01/21	6,000,000	5,783,513	5,489,700	0.28%
VIRGINIA ELECTRIC + POWER CO	5.400	01/15/16	10,000,000	9,944,834	9,645,780	0.49%
WACHOVIA BANK NA	5.600	03/15/16	10,000,000	9,988,003	9,817,210	0.50%
WASHINGTON MUTUAL INC	4.200	01/15/10	9,000,000	8,993,093	8,722,917	0.44%
WELLPOINT INC	5.875	06/15/17	7,000,000	6,950,056	6,895,203	0.35%
WESTERN PROPERTIES REIT	7.200	09/15/08	3,000,000	2,978,539	3,062,265	0.16%
WESTVACO CORP	7.650	03/15/27	9,000,000	8,969,609	9,501,186	0.48%
WEYERHAEUSER CO	8.500	01/15/25	7,000,000	7,246,753	7,980,902	0.41%
WYNDHAM WORLDWIDE CORP	6.000	12/01/16	6,000,000	5,972,556	5,786,826	0.29%
XANTERRA SOUTH RIM LLC	5.690	12/15/11	10,000,000	10,000,000	10,000,000	0.51%
ZIONS BANCORPORATION	5.650	05/15/14	4,000,000	3,950,557	3,940,260	0.20%
Corporate (Rated)	133 Issue(s)		969,899,974	965,267,421	969,566,185	49.35%
WILMINGTON TRUST TUCSON ELECTRIC	10.211	01/01/09	2,550,229	2,550,229	2,639,028	0.13%
AMERICAN PRESIDENT COS LTD	8.000	01/15/24	5,000,000	4,778,389	4,650,000	0.24%
MERIDIAN TRAILER TRAIN EQUIPMENT TRUST	9.850	01/29/10	607,589	607,589	633,211	0.03%
MERIDIAN TRAILER TRAIN EQUIPMENT TRUST	9.850	01/29/08	107,034	107,034	108,156	0.01%
Corporate (Unrated)	4 Issue(s)		8,264,852	8,043,241	8,030,395	0.41%
ASTRO OFFSHORE CORP USGG XI	6.000	12/20/19	10,075,000	10,075,000	10,254,537	0.52%
ENSCO OFFSHORE CO USGG XI	6.360	12/01/15	5,666,895	5,666,895	5,848,236	0.30%
GNMA II POOL 001254	9.500	09/20/19	18,831	18,770	20,767	0.00%
GNMA POOL 046249	10.000	12/15/10	3,280	3,272	3,462	0.00%
GNMA POOL 135544	10.000	01/15/16	29,262	29,168	32,097	0.00%
GLOBAL INDUSTRIES LTD USGG XI	7.710	02/15/25	7,200,000	7,200,000	7,137,432	0.36%
TUNISIA ASIA USGG XI	6.710	02/01/24	3,680,742	3,529,868	3,680,742	0.19%
USGG SHIPPING + CENAC TOWING USGG XI	7.000	05/15/21	6,912,000	6,912,000	6,912,000	0.35%
UNITED STATES TREASURY NOTES TIPS	4.250	01/15/10	6,141,100	6,366,683	6,373,792	0.32%
UNITED STATES TREASURY NOTES TIPS	3.000	07/15/12	5,746,450	5,831,821	5,857,787	0.30%
UNITED STATES TREASURY NOTES TIPS	2.000	01/15/14	5,591,750	5,344,729	5,373,761	0.27%
UNITED STATES TREASURY NOTES TIPS	2.375	01/15/17	5,123,400	4,966,688	5,002,119	0.25%
VESSEL MANAGEMENT SERVICES INC USGG XI	6.080	05/20/24	10,200,000	10,200,000	10,502,328	0.53%
VESSEL MANAGEMENT SERVICES INC USGG XI	6.750	06/15/25	7,400,000	7,400,000	8,036,992	0.41%
U.S. Government Direct-Backed	14 Issue(s)		73,788,710	73,544,894	75,036,052	3.82%
FARMER MAC GUARANTEED NOTES TRUST	4.875	01/14/11	15,000,000	14,664,150	14,814,756	0.75%
FEDERAL HOME LOAN POOL G10173	6.000	01/01/09	217,791	217,681	218,685	0.01%
FEDERAL HOME LOAN POOL G11670	4.000	03/01/15	22,295,567	22,011,200	21,336,107	1.09%
FEDERAL HOME LOAN POOL G11777	5.000	10/01/20	23,816,334	23,627,888	23,034,362	1.17%
FEDERAL HOME LOAN POOL G30006	7.000	07/01/13	226,389	227,281	230,698	0.01%
FEDERAL HOME LOAN POOL E99081	4.500	09/01/18	16,179,325	16,101,027	15,421,496	0.78%
FEDERAL HOME LOAN POOL G02070	5.500	03/01/36	26,781,498	26,211,507	25,890,494	1.32%
FEDERAL HOME LOAN POOL G11994	5.500	05/01/21	25,552,402	25,364,593	25,173,304	1.28%
FEDERAL HOME LOAN POOL G12369	5.500	10/01/21	19,675,262	19,642,989	19,383,359	0.99%
FEDERAL HOME LOAN POOL C90973	6.000	06/01/26	22,492,148	22,308,327	22,490,156	1.14%
FEDERAL HOME LOAN MORTGAGE CORP	5.000	06/18/18	15,000,000	15,000,000	14,412,767	0.73%
FEDERAL HOME LOAN MORTGAGE CORP	4.000	06/12/13	13,000,000	12,251,220	12,112,022	0.62%
FEDERAL HOME LOAN MORTGAGE CORP	5.125	07/18/18	15,000,000	15,000,000	14,471,855	0.74%
FEDERAL HOME LOAN MORTGAGE CORP	4.500	04/02/14	11,000,000	10,970,277	10,469,261	0.53%
FREDDIE MAC	4.100	01/28/14	35,000,000	35,000,000	34,097,035	1.74%
FEDERAL HOME LOAN MORTGAGE CORP	5.000	01/30/14	13,000,000	12,997,173	12,742,860	0.65%
FEDERAL HOME LOAN MORTGAGE CORP	4.825	09/23/15	15,000,000	14,162,633	14,238,000	0.72%
FEDERAL HOME LOAN MORTGAGE CORP	5.550	10/04/16	15,000,000	15,027,628	14,790,810	0.75%
FEDERAL HOME LOAN MORTGAGE CORP	0.000	07/13/37	100,000,000	12,693,430	12,693,430	0.65%
FEDERAL HOME LOAN MORTGAGE PC REMIC IO	VAR	08/15/07	16,500	1	30	0.00%
FEDERAL HOME LOAN MORTGAGE PC REMIC IO	VAR	09/15/07	14,852	1	60	0.00%

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<u>Security Name</u>	<u>Retirement Funds Bond Pool</u>			<u>Book Value</u>	<u>Fair Value</u>	<u>%</u>
	<u>Coupon</u>	<u>Maturity</u>	<u>Par</u>			
FEDERAL HOME LOAN POOL C01523	5.000	03/01/33	8,660,583	8,595,608	8,156,848	0.42%
FEDERAL HOME LOAN POOL E00247	5.500	10/01/08	234,180	234,023	233,561	0.01%
FEDERAL HOME LOAN POOL E00659	6.000	04/01/14	377,106	376,925	379,212	0.02%
FEDERAL HOME LOAN POOL E01376	4.000	04/01/18	17,967,942	17,862,381	16,675,793	0.85%
FEDERAL HOME LOAN POOL E01418	4.000	07/01/18	17,704,166	17,359,805	16,496,442	0.84%
FEDERAL HOME LOAN POOL E01425	4.500	08/01/18	17,732,963	17,695,773	16,902,926	0.86%
FEDERAL HOME LOAN POOL B13150	4.000	03/01/19	19,067,069	19,067,069	17,766,606	0.90%
FEDERAL AGRICULTURAL MORTGAGE CORP	6.710	07/28/14	17,000,000	18,584,307	18,312,094	0.93%
FEDERAL FARM CREDIT BANKS	5.450	04/21/20	12,000,000	11,736,580	11,506,224	0.59%
FEDERAL FARM CREDIT BANKS	5.200	12/27/12	5,000,000	5,000,000	4,934,805	0.25%
FEDERAL HOME LOAN POOL G11812	5.000	12/01/20	28,906,182	28,533,463	27,957,092	1.42%
FEDERAL HOME LOAN POOL G11900	5.500	02/01/21	20,336,934	20,007,322	20,046,136	1.02%
FEDERAL HOME LOAN BANKS	4.250	07/17/13	13,000,000	12,352,833	12,226,422	0.62%
FEDERAL HOME LOAN BANKS	7.000	08/26/19	8,000,000	7,979,856	9,057,664	0.46%
FEDERAL HOME LOAN BANKS	7.450	02/03/20	15,000,000	15,077,255	17,627,610	0.90%
FEDERAL HOME LOAN BANKS	4.125	08/13/10	10,000,000	10,064,815	9,696,240	0.49%
FEDERAL HOME LOAN BANKS	5.000	05/26/10	15,000,000	15,000,000	14,923,440	0.76%
FEDERAL HOME LOAN MORTGAGE PC REMIC	9.300	11/15/20	68,929	67,484	68,579	0.00%
FEDERAL HOME LOAN MORTGAGE CORP	8.250	06/01/26	8,000,000	8,221,734	9,985,952	0.51%
FEDERAL HOME LOAN MORTGAGE CORP	0.000	06/05/28	150,000,000	35,918,897	35,263,500	1.79%
FEDERAL HOME LOAN MORTGAGE CORP	0.000	09/14/29	100,000,000	21,901,328	20,977,300	1.07%
FEDERAL NATL MTG ASSN REMIC IO	VAR	08/25/07	10,740	1	26	0.00%
FEDERAL NATIONAL MORTGAGE ASSOCIATION	5.000	04/26/17	15,000,000	14,558,065	14,312,895	0.73%
FEDERAL NATIONAL MORTGAGE ASSOCIATION	7.250	01/15/10	17,000,000	16,998,499	17,816,714	0.91%
FEDERAL NATIONAL MORTGAGE ASSOCIATION	6.625	11/15/10	5,000,000	5,073,381	5,212,688	0.27%
FEDERAL NATIONAL MORTGAGE ASSOCIATION	6.625	11/15/30	6,000,000	7,210,944	6,761,706	0.34%
FEDERAL NATIONAL MORTGAGE ASSOCIATION	4.500	08/15/08	10,000,000	10,000,000	9,915,800	0.50%
FEDERAL NATL MTG ASSN REMIC	9.500	03/25/20	238,535	236,129	258,222	0.01%
FNMA POOL 256600	5.500	02/01/27	29,361,364	29,390,113	28,597,354	1.46%
FNMA POOL 256083	6.000	01/01/26	20,161,479	20,090,198	20,149,195	1.03%
FNMA POOL 256714	5.500	05/01/27	14,889,685	14,815,726	14,495,846	0.74%
FNMA POOL 303365	6.500	05/01/09	331,564	330,309	337,729	0.02%
FNMA POOL 303125	7.500	01/01/10	115,443	115,316	116,199	0.01%
FNMA POOL 303202	6.500	05/01/14	452,942	450,416	456,972	0.02%
FNMA POOL 303590	7.000	11/01/10	203,980	203,979	206,402	0.01%
FNMA POOL 313999	6.000	02/01/13	477,614	476,280	479,797	0.02%
FNMA POOL 572220	6.000	03/01/16	484,885	483,963	488,313	0.02%
FNMA POOL 592327	5.500	06/01/16	1,059,544	1,042,946	1,050,149	0.05%
FNMA POOL 725346	4.000	03/01/19	19,417,633	19,251,801	18,071,530	0.92%
FNMA POOL 745250	5.000	01/01/21	24,568,943	24,471,345	23,760,758	1.21%
FNMA POOL 780956	4.500	05/01/19	19,519,083	19,514,167	18,570,878	0.95%
TENNESSEE VALLEY AUTHORITY	4.875	12/15/16	5,000,000	4,881,784	4,777,340	0.24%
U S ARMY HOSPITALITY FUND	7.467	05/01/32	14,182,111	14,182,111	15,777,599	0.80%
U.S. Government Indirect -Backed	64 Issue(s)		1,091,799,667	808,893,937	798,830,104	40.66%
Total RFBP	216 Issue(s)		2,257,005,618	1,969,001,908	1,964,715,151	100.00%

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<u>Security Name</u>	<u>Trust Funds Bond Pool</u>			<u>Book Value</u>	<u>Fair Value</u>	<u>%</u>
	<u>Coupon</u>	<u>Maturity</u>	<u>Par</u>			
SHORT TERM INVESTMENT POOL	NA	NA	62,783,945	62,783,945	62,783,945	4.57%
Cash Equivalents	1	Issue(s)	62,783,945	62,783,945	62,783,945	4.57%
AA / FT WORTH HQ FINANCE TRUST	5.500	10/05/10	6,723,730	6,723,730	6,681,706	0.49%
AOL TIME WARNER INC	6.750	04/15/11	5,000,000	5,176,061	5,170,470	0.38%
ACE INA HOLDINGS INC	5.700	02/15/17	2,000,000	2,000,259	1,945,404	0.14%
AERO 1 HQ FINANCE TRUST	4.640	07/07/10	9,255,000	9,255,000	9,000,488	0.65%
AMERICA WEST AIRLINES EQUIPMENT TR	7.930	01/02/19	2,712,957	2,712,957	2,921,719	0.21%
AMERICAN EXPRESS CO	4.750	06/17/09	2,000,000	1,998,689	1,979,114	0.14%
AMERICAN GENERAL FINANCE CORP	4.625	05/15/09	4,000,000	4,007,173	3,944,776	0.29%
ANHEUSER BUSCH COS INC	5.600	03/01/17	2,000,000	2,007,370	1,951,768	0.14%
B J SERVICES	5.750	06/01/11	5,000,000	4,994,847	4,995,570	0.36%
BANC AMER COML MTG TRUST 2007-1	5.381	01/15/49	10,000,000	10,046,794	9,877,893	0.72%
BANC AMER COML MTG TRUST 2006-4	5.363	07/10/46	2,783,876	2,789,612	2,775,005	0.20%
BANC AMER COML MTG TRUST 2006-5	5.185	09/10/47	5,663,119	5,674,138	5,616,362	0.41%
BANC AMER COML MTG TRUST 2007-2	5.634	04/10/49	6,000,000	6,029,787	5,988,788	0.44%
BANK AMERICA CORP	5.375	08/15/11	5,000,000	4,984,297	4,978,150	0.36%
BAYERISCHE LANDESBANK	VAR	09/27/11	15,000,000	15,000,000	12,468,750	0.91%
BEAR STEARNS COML MTG TRUST 2007 PW16	5.593	06/11/40	5,000,000	5,012,437	5,012,479	0.36%
BELLSOUTH CORP	4.750	11/15/12	3,000,000	2,995,080	2,867,058	0.21%
BELLSOUTH TELECOMM INC	6.300	12/15/15	8,647,650	9,271,210	8,753,791	0.64%
BISHOPSGATE CDO LTD	5.180	06/30/10	10,000,000	10,000,000	9,817,000	0.71%
BURLINGTON NORTHERN RR CO	7.970	01/01/15	2,773,570	2,773,570	2,773,570	0.20%
BN SANTA FE EQUIPMENT TRUST	7.160	01/02/20	11,862,525	11,862,525	12,527,594	0.91%
BURLINGTON NORTHERN + SANTA FE	4.575	01/15/21	2,309,254	2,242,681	2,170,090	0.16%
CIT GROUP EQUIPMENT TRUST	6.490	01/05/21	9,551,942	9,551,942	9,750,038	0.71%
CIT GROUP INC	5.800	07/28/11	4,000,000	3,997,751	3,989,544	0.29%
CNA FINANCIAL CORP	6.450	01/15/08	5,000,000	5,007,341	5,021,905	0.37%
CSX CORP	7.900	05/01/17	5,000,000	5,080,041	5,581,487	0.41%
CANADIAN NATIONAL RAILWAY CO	6.800	07/15/18	4,000,000	3,984,897	4,283,700	0.31%
CAPITAL ONE BANK	5.000	06/15/09	4,000,000	3,997,042	3,969,228	0.29%
CENTEX CORP	4.550	11/01/10	6,000,000	5,994,790	5,722,896	0.42%
CHICAGO + NORTH WESTERN RY	8.910	01/01/15	3,473,327	3,473,327	3,834,221	0.28%
CITIGROUP INC	6.200	03/15/09	5,000,000	4,940,565	5,080,710	0.37%
COMCAST CORP	7.050	01/15/33	2,000,000	2,174,916	2,064,264	0.15%
COMCAST CORP	5.450	11/15/10	2,000,000	2,004,164	1,989,566	0.14%
COMMERCIAL MORTGAGE TRUST 2006-C7	5.540	06/10/46	4,422,842	4,429,911	4,427,773	0.32%
CONOCOPHILLIPS CANADA	5.625	10/15/16	7,000,000	6,999,480	6,887,755	0.50%
CONTINENTAL AIRLINES EQUIPMENT TRUST	6.545	08/02/20	5,455,127	5,455,127	5,550,592	0.40%
CORPORATE PROPERTY REIT	7.875	03/15/16	3,000,000	2,995,449	3,382,238	0.25%
CREDIT SUISSE FIRST BOSTON USA	6.500	01/15/12	5,000,000	5,242,605	5,178,880	0.38%
CYPRESSTREE SYNTHETIC CDO	VAR	12/30/10	15,000,000	15,000,000	15,433,500	1.12%
DOT HEADQUARTERS II LEASE MORTGAGE	6.001	12/07/21	20,000,000	20,000,000	20,062,400	1.46%
DEER PARK REFINING L P	6.470	12/15/08	1,025,050	1,021,127	1,032,788	0.08%
DONNELLEY R R + SONS CO	4.950	04/01/14	5,000,000	4,715,530	4,567,835	0.33%
DUN + BRADSTREET CORP	5.500	03/15/11	5,000,000	5,001,925	4,977,020	0.36%
EASTERN ENERGY LTD	7.250	12/01/16	10,000,000	9,915,301	11,157,728	0.81%
ENTERGY ARKANSAS INC	4.500	06/01/10	5,000,000	4,987,082	4,840,673	0.35%
FIRST CHICAGO CORP	6.375	01/30/09	4,000,000	3,938,886	4,067,402	0.30%
FIRST UNION BANK N C	5.800	12/01/08	4,000,000	3,936,375	4,032,808	0.29%
FLORIDA GAS TRANSMISSION CO	9.190	11/01/24	4,500,000	4,500,000	4,969,530	0.36%
FLORIDA GAS TRANSMISSION CO	7.000	07/17/12	3,000,000	2,997,805	3,092,090	0.22%
FORD MOTOR CREDIT CO	7.375	10/28/09	7,000,000	7,002,660	6,977,778	0.51%
FORTUNE BRANDS INC	5.375	01/15/16	3,000,000	2,983,877	2,785,335	0.20%
GSPA MONETIZATION TRUST	6.422	10/09/29	12,000,000	12,105,445	12,011,760	0.87%
GALENA CDO I	VAR	01/11/13	9,000,000	9,000,000	9,108,000	0.66%
GE COML MTG CORP TRUST 2002-C3	5.417	12/10/49	10,000,000	10,048,753	9,886,537	0.72%
GENERAL AMERICAN CORP EQUIP TRUST	8.420	01/01/15	6,329,110	6,329,110	6,903,854	0.50%
GENERAL ELECTRIC CAPITAL CORP	5.000	01/08/16	2,000,000	1,988,882	1,894,572	0.14%
GENERAL MOTORS ACCEPTANCE CORP	6.125	08/28/07	5,000,000	5,000,617	5,000,220	0.36%

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<u>Security Name</u>	<u>Trust Funds Bond Pool</u>			<u>Book Value</u>	<u>Fair Value</u>	<u>%</u>
	<u>Coupon</u>	<u>Maturity</u>	<u>Par</u>			
GENWORTH GLOBAL FUNDING TRUST	5.125	03/15/11	5,000,000	4,989,544	4,934,650	0.36%
GEORGIA POWER CO	5.250	12/15/15	2,000,000	2,000,101	1,929,236	0.14%
GOLDMAN SACHS GROUP INC	5.300	02/14/12	2,000,000	1,998,002	1,968,318	0.14%
GREAT RIVER ENERGY	5.829	07/01/17	7,000,000	7,000,000	7,014,630	0.51%
HSBC FINANCE CORP	5.500	01/19/16	5,000,000	4,980,732	4,818,375	0.35%
HSBC FINANCE CORP	5.900	06/19/12	5,000,000	4,993,195	5,022,180	0.37%
HAWAIIAN ELECTRIC INDS INC	6.141	08/15/11	4,000,000	4,000,000	4,031,848	0.29%
ING SEC LIFE INSTITUTIONAL FUND	4.250	01/15/10	5,000,000	4,994,438	4,858,730	0.35%
INTERNATIONAL LEASE FINANCE CORP	4.550	10/15/09	3,000,000	3,005,410	2,940,858	0.21%
INTERNATIONAL PAPER CO	4.000	04/01/10	6,000,000	5,999,900	5,759,052	0.42%
JPMORGAN CHASE COML MTG TR 2004PN C1	4.555	06/12/41	8,000,000	7,999,927	7,881,609	0.57%
JPMORGAN CHASE COML MTG TR 2004C1	3.053	01/15/38	5,502,448	5,501,402	5,321,873	0.39%
JPMORGAN CHASE COML MTG TR 2006CIBC17	5.279	12/12/43	9,413,445	9,432,658	9,351,342	0.68%
JERSEY CENTRAL POWER + LIGHT CO	5.650	06/01/17	4,000,000	3,986,157	3,883,268	0.28%
KCT INTERMODAL EQUIP TRUST 1998	6.884	08/01/18	1,575,733	1,575,733	1,647,273	0.12%
KELLWOOD CO	7.625	10/15/17	8,000,000	7,937,778	7,712,584	0.56%
KERR MCGEE CORP	7.125	10/15/27	3,000,000	3,031,944	3,181,736	0.23%
KEY BANK NA	5.450	03/03/16	5,000,000	4,998,959	4,838,575	0.35%
LEHMAN BROTHERS HOLDINGS INC	VAR	05/25/10	5,000,000	5,000,000	4,995,585	0.36%
MGIC INVESTMENT CORP	5.375	11/01/15	5,000,000	4,939,528	4,696,205	0.34%
ML CFC COML MTG TRUST 2007-7	5.549	06/12/50	5,000,000	5,012,207	5,002,598	0.36%
MACMILLAN BLOEDEL LTD	7.700	02/15/26	5,000,000	4,907,862	5,141,479	0.37%
MARSH + MCLENNAN COS INC	7.125	06/15/09	5,000,000	5,023,863	5,137,698	0.37%
MCKESSON CORP	5.250	03/01/13	3,000,000	2,988,080	2,928,708	0.21%
MEAD CORP	7.350	03/01/17	4,000,000	3,997,841	4,304,836	0.31%
MED MAP L L C MONTANA 1994 SERIES	7.060	06/01/24	4,005,000	4,005,000	4,162,717	0.30%
MED MAP L L C MONTANA 2001 SERIES	7.000	06/01/24	4,230,000	4,230,000	4,377,585	0.32%
MELLON FUNDING CORP	VAR	05/15/14	5,000,000	5,000,000	5,000,930	0.36%
METLIFE INC	5.000	11/24/13	5,000,000	4,969,247	4,807,135	0.35%
METROPOLITAN LIFE GLOBAL	4.250	07/30/09	2,000,000	1,999,585	1,958,872	0.14%
MOBIL CORP	5.940	01/15/19	7,576,809	7,576,809	7,687,900	0.56%
NEWS AMERICA INC	6.150	03/01/37	3,000,000	3,034,653	2,765,487	0.20%
NORFOLK SOUTHERN CORP	7.700	05/15/17	4,000,000	4,009,702	4,405,398	0.32%
PPL MONTANA LLC	8.903	07/02/20	18,513,461	18,576,365	20,353,092	1.48%
PACIFIC BELL	7.250	11/01/27	4,000,000	3,977,128	4,016,153	0.29%
PANAMERICAN BEVERAGES INC	7.250	07/01/09	8,000,000	8,024,752	8,240,000	0.60%
PHILLIPS PETROLEUM CO	7.125	03/15/28	4,000,000	3,952,328	4,021,730	0.29%
PRUDENTIAL FINANCIAL INC	5.500	03/15/16	5,000,000	4,910,721	4,886,370	0.36%
PUGET SOUND POWER + LIGHT CO	5.197	10/01/15	6,000,000	5,886,642	5,714,154	0.42%
RAS LAFFAN LIQUEFIED NATURAL GAS	5.298	09/30/20	2,000,000	1,915,830	1,868,820	0.14%
SLM CORP	5.375	01/15/13	5,000,000	4,995,283	4,415,490	0.32%
ST PAUL TRAVELERS COS INC	6.250	06/20/16	3,000,000	3,179,619	3,049,542	0.22%
SEARIVER MARITIME FINANCIAL HOLDINGS	0.000	09/01/12	20,000,000	15,831,764	15,185,358	1.10%
SECURITY CAPITAL GROUP INC	7.700	06/15/28	2,000,000	2,307,325	2,352,261	0.17%
SOUTHERN UNION CO	7.600	02/01/24	8,000,000	7,514,200	8,426,395	0.61%
SOUTHWEST GAS CORP	8.375	02/15/11	8,000,000	8,004,361	8,603,279	0.63%
SOUTHWESTERN BELL TEL CO	7.000	11/15/27	2,000,000	1,998,126	1,976,807	0.14%
TTX CO	6.050	06/15/16	5,000,000	4,991,209	4,973,750	0.36%
TEXAS GAS TRANSMISSION CORP	7.250	07/15/27	2,000,000	1,866,322	2,212,717	0.16%
TIME WARNER INC	6.625	05/15/29	3,000,000	3,095,827	2,912,826	0.21%
TRANSCONTINENTAL GAS PIPE LINE	7.250	12/01/26	2,000,000	2,009,490	2,190,000	0.16%
TRAVELERS COS INC	5.375	06/15/12	1,000,000	995,266	989,093	0.07%
TRISTATE GENERATION/TRANSPORT ASSOC	6.040	01/31/18	6,271,720	6,309,965	6,196,108	0.45%
USX MARATHON GROUP	9.375	02/15/12	5,000,000	5,650,486	5,728,860	0.42%
ULTRAMAR DIAMOND SHAMROCK CORP	7.200	10/15/17	2,000,000	1,990,489	2,068,233	0.15%
UNION PACIFIC RESOURCES GROUP INC	7.050	05/15/18	6,000,000	5,953,600	6,214,456	0.45%
UNION TANK CAR CO	7.450	06/01/09	5,000,000	5,000,000	5,184,106	0.38%
UNITEDHEALTH GROUP INC	4.875	04/01/13	2,000,000	1,906,660	1,907,334	0.14%
VERIZON COMMUNICATIONS INC	5.500	04/01/17	2,000,000	1,986,400	1,927,558	0.14%

**STATE OF MONTANA BOARD OF INVESTMENTS
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<u>Security Name</u>	<u>Trust Funds Bond Pool</u>			<u>Book Value</u>	<u>Fair Value</u>	<u>%</u>
	<u>Coupon</u>	<u>Maturity</u>	<u>Par</u>			
VERIZON NORTH INC	5.634	01/01/21	3,000,000	2,891,757	2,744,850	0.20%
VIRGINIA ELECTRIC + POWER CO	5.400	01/15/16	5,000,000	4,972,417	4,822,890	0.35%
WACHOVIA BANK NA	5.600	03/15/16	5,000,000	4,994,002	4,908,605	0.36%
WASHINGTON MUTUAL INC	4.200	01/15/10	6,000,000	5,995,395	5,815,278	0.42%
WELLPOINT INC	5.875	06/15/17	3,000,000	2,978,595	2,955,087	0.21%
WESTERN PROPERTIES REIT	7.200	09/15/08	1,000,000	992,846	1,020,755	0.07%
WESTVACO CORP	7.650	03/15/27	6,000,000	5,979,739	6,334,124	0.46%
WEYERHAEUSER CO	8.500	01/15/25	8,000,000	9,062,691	9,121,030	0.66%
XANTERRA SOUTH RIM LLC	5.690	12/15/11	8,000,000	8,000,000	8,000,000	0.58%
ZIONS BANCORPORATION	5.650	05/15/14	3,000,000	2,962,918	2,955,195	0.21%
Corporate (Rated)	126 Issue(s)		672,577,695	670,141,710	672,495,745	48.91%
WILMINGTON TRUST TUCSON ELECTRIC	10.211	01/01/09	1,275,115	1,275,115	1,319,514	0.10%
Corporate (Unrated)	1 Issue		1,275,115	1,275,115	1,319,514	0.10%
MONTANA STATE BOARD HOUSING	8.450	08/01/39	1,130,000	1,130,000	1,180,500	0.09%
Municipal Government Bonds(Rated)	1 Issue		1,130,000	1,130,000	1,180,500	0.09%
CRP (42 Issues)	6.00-7.50	11/15/07-19	2,287,149	2,287,149	2,287,149	0.17%
Municipal Government Bonds(Unrated)	42 Issue(s)		2,287,149	2,287,149	2,287,149	0.17%
GNMA POOL 032974	9.500	09/15/09	11,637	11,433	11,945	0.00%
GNMA POOL 038164	10.000	01/15/10	24,588	24,559	25,603	0.00%
GNMA POOL 039321	10.000	12/15/09	9,728	9,716	10,110	0.00%
GNMA POOL 281467	9.000	09/15/19	7,087	7,066	7,658	0.00%
GLOBAL INDUSTRIES LTD USGG XI	7.710	02/15/25	7,200,000	7,200,000	7,137,432	0.52%
REINAUER MARITIME CO LLC USGG XI	6.500	06/30/28	17,716,000	17,716,000	18,654,239	1.36%
T T BARGE SERVICES USGG XI	6.450	12/16/12	1,120,900	1,120,900	1,146,524	0.08%
TUNISIA ASIA USGG XI	6.710	02/01/24	3,680,742	3,529,868	3,680,742	0.27%
VESSEL MANAGEMENT SERVICES USGG XI	6.080	05/20/24	16,472,000	16,472,000	16,960,230	1.23%
U.S. Government Direct-Backed	9 Issue(s)		46,242,681	46,091,542	47,634,484	3.46%
FARMER MAC GUARANTEED NOTES TRUST	4.875	01/14/11	10,000,000	9,776,100	9,876,504	0.72%
FEDERAL HOME LOAN POOL G10814	5.500	05/01/13	356,130	355,973	354,921	0.03%
FEDERAL HOME LOAN POOL G10173	6.000	01/01/09	93,339	93,292	93,722	0.01%
FEDERAL HOME LOAN POOL G11670	4.000	03/01/15	9,555,243	9,433,371	9,144,046	0.67%
FEDERAL HOME LOAN POOL G11777	5.000	10/01/20	15,877,556	15,751,925	15,356,241	1.12%
FEDERAL HOME LOAN POOL G30006	7.000	07/01/13	177,877	177,877	181,263	0.01%
FEDERAL HOME LOAN POOL E99081	4.500	09/01/18	12,712,327	12,650,807	12,116,890	0.88%
FEDERAL HOME LOAN POOL G02070	5.500	03/01/36	17,854,332	17,474,338	17,260,329	1.26%
FEDERAL HOME LOAN POOL G11994	5.500	05/01/21	17,034,935	16,909,729	16,782,203	1.22%
FEDERAL HOME LOAN POOL G12369	5.500	10/01/21	16,097,942	16,071,537	15,859,112	1.15%
FEDERAL HOME LOAN POOL C90973	6.000	06/01/26	22,492,148	22,308,327	22,490,156	1.64%
FEDERAL HOME LOAN MORTGAGE CORP	5.000	06/18/18	20,000,000	20,000,000	19,217,022	1.40%
FEDERAL HOME LOAN MORTGAGE CORP	4.000	06/12/13	12,000,000	11,308,818	11,180,328	0.81%
FEDERAL HOME LOAN MORTGAGE CORP	5.125	07/18/18	15,000,000	15,000,000	14,471,855	1.05%
FEDERAL HOME LOAN MORTGAGE CORP	4.500	04/02/14	9,000,000	8,975,681	8,565,759	0.62%
FREDDIE MAC	4.100	01/28/14	30,000,000	30,000,000	29,226,030	2.13%
FEDERAL HOME LOAN MORTGAGE CORP	5.000	01/30/14	12,000,000	11,997,391	11,762,640	0.86%
FEDERAL HOME LOAN MORTGAGE CORP	4.825	09/23/15	10,000,000	9,441,755	9,492,000	0.69%
FEDERAL HOME LOAN MORTGAGE CORP	5.550	10/04/16	10,000,000	10,018,418	9,860,540	0.72%
FEDERAL HOME LOAN MORTGAGE CORP	0.000	07/13/37	100,000,000	12,693,430	12,693,430	0.92%
FEDERAL HOME LOAN MORTGAGE PC REMIC	9.150	10/15/20	57,537	57,019	57,537	0.00%
FEDERAL HOME LOAN POOL C01523	5.000	03/01/33	5,773,722	5,730,405	5,437,899	0.40%
FEDERAL HOME LOAN POOL E00247	5.500	10/01/08	98,204	98,138	97,945	0.01%
FEDERAL HOME LOAN POOL E00659	6.000	04/01/14	527,949	527,695	530,897	0.04%
FEDERAL HOME LOAN POOL E01376	4.000	04/01/18	11,978,628	11,908,254	11,117,196	0.81%
FEDERAL HOME LOAN POOL E01418	4.000	07/01/18	11,802,777	11,472,929	10,997,628	0.80%
FEDERAL HOME LOAN POOL E01425	4.500	08/01/18	11,821,975	11,797,182	11,268,617	0.82%
FEDERAL HOME LOAN POOL B13150	4.000	03/01/19	12,711,379	12,711,379	11,844,404	0.86%
FEDERAL AGRICULTURAL MORTGAGE CORP	6.710	07/28/14	8,000,000	8,745,556	8,617,456	0.63%
FEDERAL FARM CREDIT BANKS	5.450	04/21/20	6,000,000	5,868,290	5,753,112	0.42%
FEDERAL FARM CREDIT BANKS	5.200	12/27/12	4,000,000	4,000,000	3,947,844	0.29%
FEDERAL HOME LOAN POOL G11812	5.000	12/01/20	12,388,364	12,228,627	11,981,611	0.87%

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<u>Security Name</u>	<u>Trust Funds Bond Pool</u>			<u>Book Value</u>	<u>Fair Value</u>	<u>%</u>
	<u>Coupon</u>	<u>Maturity</u>	<u>Par</u>			
FEDERAL HOME LOAN POOL G11900	5.500	02/01/21	16,269,547	16,005,858	16,036,909	1.17%
FEDERAL HOME LOAN BANKS	4.250	07/17/13	7,000,000	6,651,525	6,583,458	0.48%
FEDERAL HOME LOAN BANKS	7.000	08/26/19	7,000,000	6,970,245	7,925,456	0.58%
FEDERAL HOME LOAN BANKS	7.450	02/03/20	10,000,000	10,051,503	11,751,740	0.85%
FEDERAL HOME LOAN BANKS	4.125	08/13/10	5,000,000	5,032,408	4,848,120	0.35%
FEDERAL HOME LOAN BANKS	5.000	05/26/10	5,000,000	5,000,000	4,974,480	0.36%
FEDERAL HOME LOAN MORTGAGE CORP	8.250	06/01/26	7,000,000	7,194,017	8,737,708	0.64%
FEDERAL HOME LOAN MORTGAGE CORP	0.000	06/05/28	50,000,000	11,972,966	11,754,500	0.85%
FEDERAL HOME LOAN MORTGAGE CORP	0.000	09/14/29	100,000,000	21,901,328	20,977,300	1.53%
FEDERAL NATIONAL MORTGAGE	5.000	04/26/17	10,000,000	9,705,377	9,541,930	0.69%
FEDERAL NATIONAL MORTGAGE	7.250	01/15/10	15,000,000	14,980,700	15,720,630	1.14%
FEDERAL NATIONAL MORTGAGE	6.625	11/15/30	4,000,000	4,807,296	4,507,804	0.33%
FEDERAL NATIONAL MORTGAGE	4.500	08/15/08	10,000,000	10,000,000	9,915,800	0.72%
FNMA POOL 254233	5.000	03/01/17	4,569,104	4,461,105	4,435,779	0.32%
FNMA POOL 254631	5.000	02/01/18	5,631,655	5,633,680	5,462,565	0.40%
FNMA POOL 256600	5.500	02/01/27	19,574,243	19,593,409	19,064,903	1.39%
FNMA POOL 256083	6.000	01/01/26	20,161,479	20,090,197	20,149,195	1.47%
FNMA POOL 256714	5.500	05/01/27	19,852,913	19,755,843	19,327,795	1.41%
FNMA POOL 303202	6.500	05/01/14	679,413	675,626	685,457	0.05%
FNMA POOL 313999	6.000	02/01/13	238,807	238,140	239,898	0.02%
FNMA POOL 572220	6.000	03/01/16	484,885	483,963	488,313	0.04%
FNMA POOL 592327	5.500	06/01/16	815,034	802,266	807,807	0.06%
FNMA POOL 725346	4.000	03/01/19	12,945,089	12,834,534	12,047,687	0.88%
FNMA POOL 745250	5.000	01/01/21	16,379,295	16,314,230	15,840,505	1.15%
FNMA POOL 780956	4.500	05/01/19	13,012,722	13,009,445	12,380,586	0.90%
TENNESSEE VALLEY AUTHORITY	4.875	12/15/16	5,000,000	4,881,784	4,777,340	0.35%
U S ARMY HOSPITALITY FUND	7.467	05/01/32	9,454,741	9,454,741	10,518,399	0.77%
U.S. Government Indirect-Backed	59 Issue(s)		800,481,290	594,086,430	587,139,201	42.71%
TFBP Total	239 Issue(s)		1,586,777,875	1,377,795,892	1,374,840,538	100.00%

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Montana Domestic Equity Pool

<u>Security Name</u>	<u>Shares</u>	<u>Book Value</u>	<u>Fair Value</u>	<u>%</u>
EXXON MOBIL CORP	614,400	24,389,457	51,535,872	1.49%
GENERAL ELEC CO	1,331,800	35,927,102	50,981,304	1.47%
SPDR TRUST	210,000	31,477,593	31,590,300	0.91%
CITIGROUP INC	592,800	15,679,300	30,404,712	0.88%
MICROSOFT CORP	1,012,100	31,601,098	29,826,587	0.86%
JOHNSON + JOHNSON	418,900	12,576,929	25,812,618	0.74%
AMERICAN INTL GROUP INC	358,500	20,230,841	25,105,755	0.72%
PROCTER AND GAMBLE CO	395,700	20,503,147	24,212,883	0.70%
AT+T INC	549,289	17,479,209	22,795,494	0.66%
BANK AMER CORP	426,100	18,273,056	20,832,029	0.60%
GOOGLE INC	39,500	17,854,594	20,673,510	0.60%
CHEVRON CORP	231,100	9,993,419	19,467,864	0.56%
JPMORGAN CHASE + CO	396,700	14,657,736	19,220,115	0.55%
CISCO SYS INC	640,700	10,469,889	17,843,495	0.51%
WELLS FARGO + CO NEW	490,400	6,629,158	17,247,368	0.50%
UNITED TECHNOLOGIES CORP	233,300	5,812,354	16,547,969	0.48%
INTERNATIONAL BUSINESS MACHS	156,500	8,217,352	16,471,625	0.48%
HEWLETT PACKARD CO	356,600	11,415,953	15,911,492	0.46%
PFIZER INC	577,200	20,498,212	14,759,004	0.43%
BOEING CO	149,000	12,756,639	14,327,840	0.41%
APPLE INC	113,300	7,850,929	13,827,132	0.40%
CONOCOPHILLIPS	172,800	7,732,821	13,564,800	0.39%
WAL MART STORES INC	278,900	13,810,964	13,417,879	0.39%
PEPSICO INC	206,200	10,920,239	13,372,070	0.39%
GOLDMAN SACHS GROUP INC	55,700	11,204,269	12,072,975	0.35%
ALTRIA GROUP INC	172,100	7,299,760	12,071,094	0.35%
QUALCOMM INC	275,800	9,651,248	11,966,962	0.35%
INTEL CORP	495,000	6,526,594	11,761,200	0.34%
ABBOTT LABS	217,800	3,096,054	11,663,190	0.34%
MERCK + CO INC	233,800	9,959,422	11,643,240	0.34%
SCHLUMBERGER LTD	136,000	5,401,101	11,551,840	0.33%
COMCAST CORP NEW	405,550	9,817,091	11,404,066	0.33%
ORACLE CORP	576,500	9,311,668	11,362,815	0.33%
COCA COLA CO	205,400	9,480,073	10,744,474	0.31%
MEDTRONIC INC	206,800	9,826,949	10,724,648	0.31%
UNITEDHEALTH GROUP INC	195,600	8,962,806	10,002,984	0.29%
AMERICAN EXPRESS CO	155,500	6,654,245	9,513,490	0.27%
LILLY ELI + CO	169,200	9,855,329	9,454,896	0.27%
WYETH	159,500	8,794,387	9,145,730	0.26%
MORGAN STANLEY	107,900	7,739,860	9,050,652	0.26%
MERRILL LYNCH + CO INC	100,500	8,018,260	8,399,790	0.24%
TYCO INTL LTD	247,100	6,927,772	8,349,509	0.24%
TIME WARNER INC NEW	383,800	11,063,361	8,075,152	0.23%
GILEAD SCIENCES INC	208,100	6,912,177	8,068,037	0.23%
CVS CAREMARK CORP	212,419	6,954,955	7,742,673	0.22%
3M CO	88,200	6,402,775	7,654,878	0.22%
HOME DEPOT INC	194,400	7,466,444	7,649,640	0.22%
TRANSOCEAN INC	67,200	5,229,058	7,121,856	0.21%

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<u>Security Name</u>	<u>Shares</u>	<u>Book Value</u>	<u>Fair Value</u>	<u>%</u>
TARGET CORP	111,900	5,530,480	7,116,840	0.21%
TEXAS INSTRS INC	183,300	6,690,364	6,897,579	0.20%
STARBUCKS CORP	251,100	8,365,600	6,588,864	0.19%
COSTCO WHSL CORP NEW	106,000	5,409,832	6,203,120	0.18%
COACH INC	129,900	6,421,912	6,155,961	0.18%
WACHOVIA CORP 2ND NEW	116,678	4,746,111	5,979,748	0.17%
CATERPILLAR INC	75,500	4,898,506	5,911,650	0.17%
CELGENE CORP	102,000	5,684,724	5,847,660	0.17%
US BANCORP DEL	177,200	5,323,352	5,838,740	0.17%
STATE STREET CORPORATION	85,200	5,701,064	5,827,680	0.17%
CORNING INC	224,500	5,306,205	5,735,975	0.17%
NEWS CORP	268,400	4,966,993	5,692,764	0.16%
BANK NEW YORK INC	132,700	5,052,021	5,499,088	0.16%
LOWES COS INC	178,100	5,769,580	5,465,889	0.16%
WELLPOINT INC	67,700	4,885,230	5,404,491	0.16%
AMGEN INC	97,600	5,972,655	5,396,304	0.16%
MONSANTO CO NEW	79,500	4,093,000	5,369,430	0.15%
BAXTER INTL INC	89,600	4,496,982	5,048,064	0.15%
AIR PRODS + CHEMS INC	62,400	4,689,810	5,015,088	0.14%
EMERSON ELEC CO	107,100	2,664,496	5,012,280	0.14%
UNION PAC CORP	42,500	4,583,303	4,893,875	0.14%
PRUDENTIAL FINL INC	50,100	4,412,742	4,871,223	0.14%
ZIMMER HOLDINGS INC	56,700	4,354,154	4,813,263	0.14%
CARDINAL HEALTH INC	67,100	4,803,958	4,739,944	0.14%
DISNEY WALT CO	138,200	4,162,781	4,718,148	0.14%
DEERE + CO	38,900	4,067,319	4,696,786	0.14%
DAVITA INC	84,500	4,840,251	4,552,860	0.13%
LEGG MASON INC	46,100	4,465,107	4,535,318	0.13%
ST JUDE MED INC	107,600	4,244,905	4,464,324	0.13%
ALLERGAN INC	76,800	4,121,778	4,426,752	0.13%
FEDERAL HOME LN MTG CORP	72,700	3,955,358	4,412,890	0.13%
SCHERING PLOUGH CORP	140,800	3,456,083	4,285,952	0.12%
MELLON FINL CORP	97,400	4,049,906	4,285,600	0.12%
FEDERAL NATL MTG ASSN	64,600	3,889,475	4,220,318	0.12%
DELL INC	147,300	3,580,431	4,205,415	0.12%
DEVON ENERGY CORPORATION NEW	53,700	3,347,658	4,204,173	0.12%
AKAMAI TECHNOLOGIES INC	85,800	3,895,949	4,173,312	0.12%
BRISTOL MYERS SQUIBB CO	132,000	3,679,575	4,165,920	0.12%
TRAVELERS COS INC	76,300	3,381,617	4,082,050	0.12%
METLIFE INC	62,800	3,815,545	4,049,344	0.12%
ANHEUSER BUSCH COS INC	77,600	3,934,408	4,047,616	0.12%
EMC CORP	219,600	3,069,310	3,974,760	0.11%
COUNTRYWIDE FINL CORP	109,300	4,103,608	3,973,055	0.11%
AMERICAN TOWER CORP	94,500	3,695,377	3,969,000	0.11%
ADOBE SYS INC	97,500	3,594,569	3,914,625	0.11%
COLGATE PALMOLIVE CO	60,100	3,645,442	3,897,485	0.11%
HONEYWELL INTL INC	69,000	2,921,444	3,883,320	0.11%
MOTOROLA INC	204,600	3,886,883	3,621,420	0.10%

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	<u>Shares</u>	<u>Book Value</u>	<u>Fair Value</u>	<u>%</u>
DOW CHEM CO	81,800	3,768,813	3,617,196	0.10%
APACHE CORP	44,300	2,851,280	3,614,437	0.10%
LEHMAN BROTHERS HLDGS INC	48,500	3,649,544	3,614,220	0.10%
THERMO FISHER SCIENTIFIC INC	69,600	3,188,478	3,599,712	0.10%
EBAY INC	108,100	3,986,704	3,478,658	0.10%
AUTOZONE INC	25,100	3,172,969	3,429,162	0.10%
CITRIX SYS INC	98,500	3,003,197	3,316,495	0.10%
WALGREEN CO	75,900	3,416,852	3,304,686	0.10%
KOHL'S CORP	46,500	2,979,464	3,302,895	0.10%
NORTHERN TRUST CORP	51,200	3,032,678	3,289,088	0.09%
MEMC ELECTR MATLS INC	53,200	3,004,616	3,251,584	0.09%
VERIZON COMMUNICATIONS	75,900	2,485,447	3,124,803	0.09%
TEXTRON INC	27,900	2,558,448	3,072,069	0.09%
NOBLE ENERGY INC	49,200	2,947,419	3,069,588	0.09%
CAPITALSOURCE INC	124,700	3,325,984	3,066,373	0.09%
WESTERN DIGITAL CORP	157,400	2,972,638	3,045,690	0.09%
MCDONALDS CORP	58,900	2,203,669	2,989,764	0.09%
AES CORP	136,300	3,001,738	2,982,244	0.09%
KELLOGG CO	55,600	2,756,750	2,879,524	0.08%
CB RICHARD ELLIS GROUP INC	76,700	2,798,037	2,799,550	0.08%
FREEPORT MCMORAN COPPER + GOLD	33,531	2,219,797	2,777,037	0.08%
NUVEEN INVTs INC	44,400	2,281,156	2,759,460	0.08%
MATTEL INC	109,100	2,871,422	2,759,139	0.08%
OCCIDENTAL PETE CORP	46,200	2,171,236	2,674,056	0.08%
YAHOO INC	98,000	3,064,057	2,658,740	0.08%
CUMMINS INC	26,200	1,890,006	2,651,702	0.08%
EDISON INTL	47,200	2,530,275	2,648,864	0.08%
SYSCO CORP	79,700	2,573,163	2,629,303	0.08%
BJ SVCS CO	90,800	2,540,046	2,582,352	0.07%
PRICE T ROWE GROUP INC	49,700	2,276,300	2,578,933	0.07%
ECOLAB INC	60,300	2,529,727	2,574,810	0.07%
ALLEGHANY CORP DEL	6,226	2,442,055	2,530,869	0.07%
GLOBALSANTAFE CORPORATION	34,900	2,001,891	2,521,525	0.07%
LOEWS CORP	49,300	1,916,139	2,513,314	0.07%
AVNET INC	63,300	2,379,042	2,509,212	0.07%
LABORATORY CORP AMER HLDGS	31,700	2,355,359	2,480,842	0.07%
KROGER CO	87,800	2,202,071	2,469,814	0.07%
UNITED STS STL CORP NEW	22,700	2,069,117	2,468,625	0.07%
GENERAL DYNAMICS CORP	31,500	2,313,838	2,463,930	0.07%
APPLIED MATERIALS INC	122,400	2,150,234	2,432,088	0.07%
PAYCHEX INC	61,500	2,313,028	2,405,880	0.07%
ALLSTATE CORP	38,900	2,370,390	2,392,739	0.07%
HUMANA INC	39,200	2,389,574	2,387,672	0.07%
SAFeway INC	70,100	2,270,491	2,385,503	0.07%
BROADRIDGE FINL SOLUTIONS INC	124,600	2,574,834	2,382,352	0.07%
DU PONT E I DE NEMOURS + CO	46,700	2,283,975	2,374,228	0.07%
PG+E CORP	52,200	2,421,996	2,364,660	0.07%
BED BATH + BEYOND INC	64,800	2,499,727	2,332,152	0.07%

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<u>Security Name</u>	<u>Shares</u>	<u>Book Value</u>	<u>Fair Value</u>	<u>%</u>
GATX CORPORATION	47,200	2,338,809	2,324,600	0.07%
FEDEX CORP	20,800	2,233,514	2,308,176	0.07%
AUTOMATIC DATA PROCESSING INC	47,400	1,993,544	2,297,478	0.07%
FOREST LABS INC	50,000	2,580,883	2,282,500	0.07%
CIMAREX ENERGY CO	57,600	2,099,494	2,270,016	0.07%
STRYKER CORP	35,900	1,873,149	2,264,931	0.07%
SEMPRA ENERGY	38,000	2,291,627	2,250,740	0.06%
NABORS INDUSTRIES LTD	66,900	2,072,261	2,233,122	0.06%
AFLAC INC	43,200	1,993,338	2,220,480	0.06%
AFFILIATED MANAGERS GROUP INC	17,200	1,931,564	2,214,672	0.06%
CHESAPEAKE ENERGY CORP	63,700	2,011,665	2,204,020	0.06%
SEI INVESTMENTS CO	75,500	2,422,836	2,192,520	0.06%
BROADCOM CORP	74,900	2,449,320	2,190,825	0.06%
AMDOCS LTD	54,900	1,929,151	2,186,118	0.06%
AMBAC FINL GROUP INC	24,900	2,192,788	2,171,031	0.06%
ELECTRONIC DATA SYS CORP NEW	77,900	2,256,913	2,160,167	0.06%
EXELON CORP	29,600	1,865,824	2,148,960	0.06%
UNITED PARCEL SVC INC	29,400	2,106,939	2,146,200	0.06%
FOREST OIL CORP	50,300	1,663,970	2,125,678	0.06%
AUTODESK INCORPORATED	44,400	1,667,849	2,090,352	0.06%
MOHAWK INDS INC	20,500	1,918,030	2,066,195	0.06%
CAMPBELL SOUP CO	52,800	2,138,023	2,049,168	0.06%
HASBRO INC	64,000	1,896,752	2,010,240	0.06%
ANNALY CAPITAL MANAGEMENT INC	139,300	1,941,493	2,008,706	0.06%
NVIDIA CORP	48,300	1,507,887	1,995,273	0.06%
PIONEER NAT RES CO	40,900	1,640,252	1,992,239	0.06%
ENTERGY CORP NEW	18,400	1,800,146	1,975,240	0.06%
DANAHER CORP	26,100	1,784,594	1,970,550	0.06%
FORTUNE BRANDS INC	23,900	1,302,621	1,968,643	0.06%
VULCAN MATLS CO	17,100	2,062,971	1,958,634	0.06%
POOL CORP	49,800	1,817,985	1,943,694	0.06%
INGRAM MICRO INC	88,200	1,773,950	1,914,822	0.06%
MOLSON COORS BREWING CO	20,600	1,726,647	1,904,676	0.05%
VIACOM INC NEW	45,700	2,013,739	1,902,491	0.05%
SELECT SECTOR SPDR TR	47,800	1,739,655	1,891,924	0.05%
ISHARES RUSSELL	22,925	1,877,792	1,888,103	0.05%
AMAZON COM INC	27,500	1,389,054	1,881,275	0.05%
SUNTRUST BKS INC	21,600	1,780,030	1,851,984	0.05%
ALLIED WASTE INDUSTRIES INC	137,500	1,805,644	1,850,750	0.05%
STUDENT LN CORP	8,800	1,706,904	1,794,320	0.05%
PACTIV CORP	55,700	1,800,230	1,776,273	0.05%
THOR INDS INC	39,300	1,708,149	1,774,002	0.05%
DRS TECHNOLOGIES INC	30,475	1,639,127	1,745,303	0.05%
AMERICAN STD COS INC DEL	29,500	1,613,295	1,739,910	0.05%
NOKIA CORP	61,400	1,263,767	1,725,954	0.05%
CONVERGYS CORP	70,800	1,796,068	1,716,192	0.05%
TIFFANY + CO NEW	32,200	1,471,640	1,708,532	0.05%
XTO ENERGY INC	28,400	1,488,499	1,706,840	0.05%

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<u>Security Name</u>	<u>Montana Domestic Equity Pool</u>			
	<u>Shares</u>	<u>Book Value</u>	<u>Fair Value</u>	<u>%</u>
STARWOOD HOTELS + RESORTS INC	25,300	1,806,155	1,696,871	0.05%
MARTIN MARIETTA MATLS INC	10,400	1,449,313	1,685,008	0.05%
L 3 COMMUNICATIONS HLDG CORP	17,300	1,541,361	1,684,847	0.05%
FRANKLIN RES INC	12,700	1,376,892	1,682,369	0.05%
RYDER SYS INC	31,100	1,657,621	1,673,180	0.05%
XEROX CORP	89,900	1,619,306	1,661,352	0.05%
ANALOG DEVICES INC	44,100	1,456,415	1,659,924	0.05%
TIDEWATER INC	23,400	1,265,004	1,658,592	0.05%
ECHOSTAR COMMUNICATIONS CORP N	38,000	1,618,490	1,648,060	0.05%
ALLIED WORLD ASSURANCE COMPANY	32,000	1,376,932	1,640,000	0.05%
SPRINT NEXTEL CORP	78,800	1,686,145	1,631,948	0.05%
ALCOA INC	40,100	1,328,722	1,625,253	0.05%
DOLLAR TREE STORES INC	37,300	1,289,461	1,624,415	0.05%
CELANESE CORP DE	41,600	1,243,008	1,613,248	0.05%
NEUSTAR INC	55,400	1,720,172	1,604,938	0.05%
EATON CORP	17,100	1,503,107	1,590,300	0.05%
DOVER CORP	31,000	1,570,031	1,585,650	0.05%
JUNIPER NETWORKS INC	62,800	1,235,386	1,580,676	0.05%
FPL GROUP INC	27,800	1,698,334	1,577,372	0.05%
WHITE MOUNTAINS INS GROUP LTD	2,600	1,486,606	1,575,652	0.05%
LAMAR ADVERTISING CO	25,100	1,595,143	1,575,276	0.05%
MEREDITH CORP	25,500	1,519,193	1,570,800	0.05%
ALLEGHENY TECHNOLOGIES INC	14,900	1,276,881	1,562,712	0.05%
DADE BEHRING HLDGS INC	28,900	1,200,795	1,535,168	0.04%
BEST BUY CO INC	32,700	1,557,515	1,526,109	0.04%
BMC SOFTWARE INC	49,800	1,482,846	1,508,940	0.04%
SYMANTEC CORP	74,400	1,360,079	1,502,880	0.04%
INTERNATIONAL GAME TECHNOLOGY	37,500	1,466,883	1,488,750	0.04%
LEXMARK INTL INC	30,100	1,870,331	1,484,231	0.04%
JOHNSON CTLS INC	12,800	1,161,210	1,481,856	0.04%
UNITED STATES CELLULAR CORP	16,300	1,168,662	1,476,780	0.04%
GARMIN LTD	19,900	1,082,148	1,472,003	0.04%
NATIONWIDE FINL SVCS INC	23,000	1,253,530	1,454,060	0.04%
AON CORP	33,800	1,281,072	1,440,218	0.04%
RAYTHEON CO	26,700	1,338,798	1,438,863	0.04%
WILLIAMS COS INC	45,500	1,270,488	1,438,710	0.04%
TERADYNE INC	81,700	1,369,727	1,436,286	0.04%
COVENTRY HEALTH CARE INC	24,900	1,412,826	1,435,485	0.04%
FIRSTENERGY CORP	22,100	1,322,924	1,430,533	0.04%
MONSTER WORLDWIDE INC	34,800	1,714,333	1,430,280	0.04%
ACTUANT CORP	22,525	1,165,451	1,420,427	0.04%
CADENCE DESIGN SYS INC	64,300	1,378,656	1,412,028	0.04%
SONOCO PRODS CO	32,800	1,247,056	1,404,168	0.04%
CHICAGO MERCANTILE EXCHANGE	2,620	1,300,804	1,400,023	0.04%
BOSTON PPTY INC	13,700	1,438,619	1,399,181	0.04%
LOCKHEED MARTIN CORP	14,800	1,281,389	1,393,124	0.04%
PACCAR INC	16,000	1,211,604	1,392,640	0.04%
DENBURY RES INC	37,000	1,092,535	1,387,500	0.04%

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<u>Montana Domestic Equity Pool</u>				
<u>Security Name</u>	<u>Shares</u>	<u>Book Value</u>	<u>Fair Value</u>	<u>%</u>
MOODYS CORP	22,300	1,454,994	1,387,060	0.04%
ALLIANT TECHSYSTEMS INC	13,975	1,228,148	1,385,621	0.04%
NOVELLUS SYS INC	48,600	1,520,335	1,378,782	0.04%
HALLIBURTON CO	39,800	565,038	1,373,100	0.04%
ROPER INDS	24,000	1,267,934	1,370,400	0.04%
GENERAL MLS INC	23,400	1,293,129	1,367,028	0.04%
DIRECTV GROUP INC	58,900	1,389,159	1,361,179	0.04%
CONSTELLATION ENERGY GROUP INC	15,600	1,298,331	1,359,852	0.04%
JONES LANG LASALLE INC	11,900	1,284,419	1,350,650	0.04%
PROLOGIS	23,600	1,507,358	1,342,840	0.04%
FASTENAL CO	31,900	1,201,640	1,335,334	0.04%
MCGRAW HILL COS INC	19,600	1,142,802	1,334,368	0.04%
EQUITY RESIDENTIAL	29,200	1,349,156	1,332,396	0.04%
HEALTH CARE REIT INC	33,000	1,334,493	1,331,880	0.04%
KINETIC CONCEPTS INC	25,500	1,298,452	1,325,235	0.04%
WEATHERFORD INTERNATIONAL LTD	23,900	1,100,640	1,320,236	0.04%
AMERICAN EAGLE OUTFITTERS INC	51,300	1,608,121	1,316,358	0.04%
MICROCHIP TECHNOLOGY INC	35,500	1,313,506	1,314,920	0.04%
BEA SYS INC	96,000	1,075,807	1,314,240	0.04%
ENERGEN CORP	23,900	1,322,889	1,313,066	0.04%
SHIRE PLC	17,700	1,180,767	1,312,101	0.04%
HARLEY DAVIDSON INC	22,000	1,422,185	1,311,420	0.04%
METTLER TOLEDO INTL INC	13,700	1,241,220	1,308,487	0.04%
RANGE RES CORP	34,800	1,093,711	1,301,868	0.04%
GARDNER DENVER INC	30,500	1,086,492	1,297,775	0.04%
REGAL ENTMT GROUP	59,000	1,316,299	1,293,870	0.04%
NVR INC	1,900	1,374,500	1,291,525	0.04%
VIRGIN MEDIA INC	52,900	1,465,446	1,289,173	0.04%
VERISIGN INC	40,500	1,054,419	1,285,065	0.04%
COMERICA INC	21,600	1,364,700	1,284,552	0.04%
CHOICEPOINT INC	30,200	1,186,717	1,281,990	0.04%
CENTURYTEL INC	26,100	1,109,024	1,280,205	0.04%
PPL CORP	27,300	1,044,385	1,277,367	0.04%
INTERSIL CORP	40,600	1,021,930	1,277,276	0.04%
SMITHFIELD FOODS INC	41,400	1,217,991	1,274,706	0.04%
AVON PRODS INC	34,600	1,182,333	1,271,550	0.04%
HOSPITALITY PPTYS TR	30,600	1,424,720	1,269,594	0.04%
KRAFT FOODS INC	35,958	1,036,070	1,267,520	0.04%
AMERIPRISE FINL INC	19,900	999,820	1,265,043	0.04%
AMPHENOL CORP NEW	35,400	1,202,184	1,262,010	0.04%
TECO ENERGY INC	73,400	1,238,097	1,261,012	0.04%
OMNICOM GROUP	23,800	1,185,709	1,259,496	0.04%
TEEKAY CORPORATION	21,700	1,096,274	1,256,647	0.04%
FOOT LOCKER INC	57,600	1,339,954	1,255,680	0.04%
BAKER HUGHES INC	14,900	1,190,065	1,253,537	0.04%
AMERICAN FINL GROUP INC OHIO	36,400	1,322,942	1,243,060	0.04%
THORNBURG MTG INC	47,100	1,228,368	1,233,078	0.04%
BERKLEY W R CORP	37,700	1,291,225	1,226,758	0.04%

**STATE OF MONTANA BOARD OF INVESTMENTS
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Montana Domestic Equity Pool

<u>Security Name</u>	<u>Shares</u>	<u>Book Value</u>	<u>Fair Value</u>	<u>%</u>
ZIONS BANCORP	15,800	1,381,170	1,215,178	0.04%
NATIONAL OILWELL VARCO INC	11,600	1,047,670	1,209,184	0.03%
MARATHON OIL CORP	20,000	897,375	1,199,200	0.03%
SUNOCO INC	15,000	1,036,648	1,195,200	0.03%
MANITOWOC INC	14,800	961,260	1,189,624	0.03%
MEDCO HEALTH SOLUTIONS INC	15,200	986,179	1,185,448	0.03%
LEGGETT + PLATT INC	53,700	1,304,587	1,184,085	0.03%
LAM RESH CORP	23,000	1,026,490	1,182,200	0.03%
ISTAR FINL INC	26,600	1,303,400	1,179,178	0.03%
UST INC	21,900	1,191,098	1,176,249	0.03%
ALEXANDER + BALDWIN INC	22,100	1,129,877	1,173,731	0.03%
XCEL ENERGY INC	57,100	1,322,721	1,168,837	0.03%
LINCARE HLDGS INC	29,300	1,156,951	1,167,605	0.03%
MARRIOTT INTL INC NEW	26,900	1,162,282	1,163,156	0.03%
SIRENZA MICRODEVICES INC	97,800	796,198	1,160,886	0.03%
HUBBELL INC	21,400	1,073,377	1,160,308	0.03%
VCA ANTECH INC	30,670	1,122,082	1,155,952	0.03%
STAPLES INC	48,500	1,170,528	1,150,905	0.03%
SYNOPSYS INC	43,500	1,174,414	1,149,705	0.03%
DISCOVERY HLDG CO	49,900	962,485	1,147,201	0.03%
ALBEMARLE CORP	29,400	1,265,670	1,132,782	0.03%
MARVELL TECHNOLOGY GROUP LTD	62,100	1,084,960	1,130,841	0.03%
HERBALIFE LTD	28,500	1,078,884	1,130,025	0.03%
PNM RES INC	40,500	1,130,167	1,125,495	0.03%
GENERALE CABLE CORP DEL NEW	14,800	779,004	1,121,100	0.03%
HARSCO CORP	21,400	930,686	1,112,800	0.03%
AMETEK INC NEW	27,800	987,860	1,103,104	0.03%
REYNOLDS AMERN INC	16,900	1,047,470	1,101,880	0.03%
J2 GLOBAL COMMUNICATIONS	31,560	831,554	1,101,444	0.03%
HOSPIRA INC	28,100	1,064,038	1,097,024	0.03%
SIMON PPTY GROUP INC NEW	11,700	1,147,207	1,088,568	0.03%
MICROS SYS INC	19,950	1,117,521	1,085,280	0.03%
DIODES INC	25,910	944,630	1,082,261	0.03%
VISHAY INTERTECHNOLOGY INC	68,400	1,115,399	1,082,088	0.03%
LIZ CLAIBORNE INC	29,000	1,337,444	1,081,700	0.03%
MARINER ENERGY INC	44,600	838,582	1,081,550	0.03%
CROCS INC	25,130	607,968	1,081,344	0.03%
HOLLY CORP	14,500	812,725	1,075,755	0.03%
AUTOLIV	18,900	1,091,342	1,074,843	0.03%
PEDIATRIX MED GROUP	19,450	1,067,494	1,072,668	0.03%
YRC WORLDWIDE INC	29,100	1,349,179	1,070,880	0.03%
TTM TECHNOLOGIES	81,470	870,004	1,059,110	0.03%
SEACOR HLDGS INC	11,300	1,097,948	1,054,968	0.03%
PUBLIC SVC ENTERPRISE GROUP	12,000	882,433	1,053,360	0.03%
INDYMAC BANCORP INC	36,000	1,186,282	1,050,120	0.03%
SILICON LABORATORIES INC	30,000	944,812	1,038,300	0.03%
FOCUS MEDIA HLDG LTD	20,500	854,198	1,035,250	0.03%
WELLCARE HEALTH PLANS INC	11,400	1,036,412	1,031,814	0.03%

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<u>Security Name</u>	<u>Montana Domestic Equity Pool</u>			
	<u>Shares</u>	<u>Book Value</u>	<u>Fair Value</u>	<u>%</u>
DUN + BRADSTREET CORP DEL NEW	10,000	903,233	1,029,800	0.03%
AETNA INC	20,800	949,488	1,027,520	0.03%
ZALE CORP NEW	43,000	1,223,888	1,023,830	0.03%
SHERWIN WILLIAMS CO	15,400	926,750	1,023,638	0.03%
SILICON MOTION TECHNOLOGY CORP	41,089	937,475	1,020,240	0.03%
CYTYC CORP	23,600	719,800	1,017,396	0.03%
CENTRAL EUROPEAN DISTR CORP	29,300	808,746	1,014,366	0.03%
FIDELITY NATL FINL INC	42,600	1,028,311	1,009,620	0.03%
LENNOX INTL INC	29,475	1,045,355	1,008,929	0.03%
UAP HLDG CORP	33,340	815,660	1,004,868	0.03%
ON SEMICONDUCTOR CORP	93,385	924,200	1,001,087	0.03%
GENWORTH FINL INC	29,100	1,002,691	1,001,040	0.03%
NATIONAL CINEMEDIA INC	35,600	976,781	997,156	0.03%
NIKE INC	17,100	839,353	996,759	0.03%
WEIGHT WATCHERS INTL INC NEW	19,600	941,654	996,464	0.03%
AMERICAN ELEC PWR INC	21,900	1,042,142	986,376	0.03%
JOS A BANK CLOTHIERS INC	23,760	772,296	985,327	0.03%
WORLD ACCEPTANCE CORP	23,000	954,528	982,790	0.03%
ARROW ELECTRS INC	25,500	1,014,314	979,965	0.03%
V F CORP	10,700	846,370	979,906	0.03%
GUITAR CTR INC	16,300	737,194	974,903	0.03%
TJX COS INC NEW	35,400	936,876	973,500	0.03%
NAVIGATORS GROUP INC	18,000	910,201	970,200	0.03%
COMMScope INC	16,550	670,712	965,693	0.03%
FIRST MARBLEHEAD CORP	24,800	1,145,512	958,272	0.03%
PENNEY J C INC	13,100	947,188	948,178	0.03%
KEYSTONE AUTOMOTIVE INDS INC	22,800	755,511	943,236	0.03%
USG CORP	19,200	1,087,546	941,568	0.03%
LMI AEROSPACE INC	38,730	740,283	940,752	0.03%
ARENA RES INC	16,075	733,090	934,118	0.03%
PARKER HANNIFIN CORP	9,500	822,225	930,145	0.03%
PORTFOLIO RECOVERY ASSOCS INC	15,420	697,637	925,508	0.03%
SCIELE PHARMA INC	39,170	900,619	922,845	0.03%
OBAGI MEDICAL PRODUCTS INC	52,025	677,300	921,883	0.03%
ILLINOIS TOOL WKS INC	17,000	849,165	921,230	0.03%
KIMBERLY CLARK CORP	13,700	915,038	916,393	0.03%
INVENTIV HEALTH INC	25,000	923,211	915,250	0.03%
SA	11,300	771,495	915,074	0.03%
LKQ CORP	37,100	797,014	914,886	0.03%
CON WAY INC	18,200	960,645	914,368	0.03%
ANGIODYNAMICS INC	50,655	1,074,755	912,297	0.03%
ATLAS AIR WORLDWIDE HLDGS INC	15,455	792,619	910,918	0.03%
WEST PHARMACEUTICAL SVCS INC	19,230	871,520	906,695	0.03%
HEINZ H J CO	19,100	848,163	906,677	0.03%
ICONIX BRAND GROUP INC	40,495	841,200	899,799	0.03%
MOOG INC	20,375	803,676	898,741	0.03%
BECTON DICKINSON + CO	12,000	873,913	894,000	0.03%
WORLD FUEL SERVICES CORP.	21,145	934,414	889,359	0.03%

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<u>Security Name</u>	<u>Montana Domestic Equity Pool</u>			
	<u>Shares</u>	<u>Book Value</u>	<u>Fair Value</u>	<u>%</u>
CROWN CASTLE INTL CORP	24,400	820,070	884,988	0.03%
KENDLE INTL INC	23,955	800,541	880,825	0.03%
RADIANT SYS INC	66,485	822,939	880,261	0.03%
NORFOLK SOUTHN CORP	16,700	866,689	877,919	0.03%
TELEFLEX INC	10,725	719,860	877,091	0.03%
NUCOR CORP	14,900	853,369	873,885	0.03%
NATIONAL SEMICONDUCTOR CORP	30,900	756,132	873,543	0.03%
INGERSOLL RAND COMPANY LIMITED	15,900	788,994	871,638	0.03%
ROGERS COMMUNICATIONS INC	20,500	617,708	871,045	0.03%
CLOROX CO	14,000	894,179	869,400	0.03%
ALLEGHENY ENERGY INC	16,800	756,705	869,232	0.03%
CONAGRA INC	32,200	817,860	864,892	0.02%
NEWELL RUBBERMAID INC	29,300	825,411	862,299	0.02%
JARDEN CORP	20,000	744,814	860,200	0.02%
EXPRESS SCRIPTS INC	17,200	675,747	860,172	0.02%
CENTRAL EUROPEAN MEDIA ENTERPR	8,800	756,303	858,704	0.02%
FLOW INTL CORP	67,955	772,059	856,233	0.02%
CALLAWAY GOLF CO	48,070	761,285	856,127	0.02%
RAYMOND JAMES FINANCIAL INC	27,600	830,066	852,840	0.02%
PNC FINL SVCS GROUP INC	11,900	854,403	851,802	0.02%
WASHINGTON FED INC	35,000	831,828	850,850	0.02%
GENERAL MTRS CORP	22,500	703,723	850,500	0.02%
WINDSTREAM CORP	57,520	834,896	848,995	0.02%
BENCHMARK ELECTRS INC	37,500	802,558	848,250	0.02%
BIG LOTS INC	28,800	788,123	847,296	0.02%
RENT A CTR INC NEW	32,300	928,886	847,229	0.02%
HARTFORD FINANCIAL SVCS GRP	8,600	795,817	847,186	0.02%
HEWITT ASSOCS INC	26,400	808,869	844,800	0.02%
GOODYEAR TIRE AND RUBBER	24,300	734,440	844,668	0.02%
CONTINENTAL AIRLS INC	24,900	1,137,681	843,363	0.02%
SUN MICROSYSTEMS INC	159,700	757,125	840,022	0.02%
BEAR STEARNS COS INC	6,000	873,488	840,000	0.02%
UTI WORLDWIDE INC	31,200	963,269	835,848	0.02%
OIL STATES INTL INC	20,150	634,013	833,001	0.02%
HURCO CO INC	16,515	688,445	825,420	0.02%
CIGNA CORP	15,800	747,764	825,076	0.02%
RED HAT INC	37,000	813,049	824,360	0.02%
AARON RENTS INC	28,000	760,587	817,600	0.02%
URS CORP NEW	16,650	726,461	808,358	0.02%
KING PHARMACEUTICALS INC	39,500	736,369	808,170	0.02%
BIO REFERENCE LABS INC	29,380	731,539	803,543	0.02%
APPLERA CORP APPLIED BIOSYS	26,300	823,081	803,202	0.02%
ROCKWELL COLLINS INC	11,300	673,133	798,232	0.02%
SCIENTIFIC GAMES CORP	22,800	740,551	796,860	0.02%
AMERICAN REPROGRAPHICSCO	25,700	796,526	791,303	0.02%
TEREX CORP NEW	9,700	681,560	788,610	0.02%
MONARCH CASINO + RESORT INC	29,225	765,551	784,691	0.02%
PILGRIMS PRIDE CORP	20,100	652,513	767,217	0.02%

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Montana Domestic Equity Pool				
<u>Security Name</u>	<u>Shares</u>	<u>Book Value</u>	<u>Fair Value</u>	<u>%</u>
SYBASE INC	32,050	765,565	765,675	0.02%
PRECISION CASTPARTS CORP	6,300	749,148	764,568	0.02%
AECOM TECHNOLOGY CORP	30,785	665,945	763,776	0.02%
HILTON HOTELS CORP	22,800	732,277	763,116	0.02%
CONTINENTAL RES INC OK	47,625	691,607	762,000	0.02%
CELADON GROUP INC	47,770	824,756	759,543	0.02%
HCC INS HLDGS INC	22,600	700,622	755,066	0.02%
EDWARDS LIFESCIENCES CORP	15,300	788,103	754,902	0.02%
HOST HOTELS + RESORTS INC	32,600	782,427	753,712	0.02%
AMERISOURCEBERGEN CORP	15,100	696,063	746,997	0.02%
RALCORP HLDGS INC NEW	13,975	817,202	746,964	0.02%
THESTREET COM INC	68,415	785,795	744,355	0.02%
TRIDENT MICROSYSTEMS INC	40,500	871,242	743,175	0.02%
WESCO INTL INC	12,200	793,775	737,490	0.02%
NORDSTROM INC	14,400	782,098	736,128	0.02%
C COR NET CORPORATION	52,305	752,266	735,408	0.02%
BARD C R INC	8,900	721,270	735,407	0.02%
BARRET BUSINESS SVCS INC	28,420	672,816	734,089	0.02%
ACCENTURE LTD BERMUDA	17,100	583,562	733,419	0.02%
UNITED FIRE CAS CO	20,725	721,357	733,251	0.02%
MEDALLION FINL CORP	61,260	708,963	724,706	0.02%
IAC INTERACTIVECORP	20,900	753,447	723,349	0.02%
SAFECO CORP	11,600	710,493	722,216	0.02%
CAPITAL ONE FINL CORP	9,200	753,384	721,648	0.02%
MENS WEARHOUSE INC	14,100	646,139	720,087	0.02%
PENSON WORLDWIDE INC	29,300	834,028	718,729	0.02%
DYNEGY INC DEL	75,900	638,843	716,496	0.02%
GALLAGHER ARTHUR J + CO	25,500	740,876	710,940	0.02%
GRANT PRIDECO INC	13,200	627,749	710,556	0.02%
IMERGENT INC	28,810	556,288	704,693	0.02%
CENTERPOINT ENERGY INC	40,400	736,001	702,960	0.02%
STRAYER ED INC	5,300	653,768	698,063	0.02%
FIRST ADVANTAGE CORP	30,210	733,277	695,132	0.02%
CENVEO INC	29,880	739,080	692,917	0.02%
NBTY INC	16,000	680,566	691,200	0.02%
IDEX CORP	17,925	614,841	690,830	0.02%
SUPERVALU INC	14,911	658,740	690,678	0.02%
MURPHY OIL CORP	11,600	621,928	689,504	0.02%
WEYERHAEUSER CO	8,700	653,827	686,691	0.02%
SOUTHWEST AIRLS CO	46,000	690,738	685,860	0.02%
MANOR CARE INC NEW	10,500	564,149	685,545	0.02%
COPART INC	22,300	651,091	682,157	0.02%
STERLING FINL CORP WASH	23,500	753,357	680,090	0.02%
SYNOVUS FINL CORP	22,100	636,904	678,470	0.02%
HUNTSMAN CORP	27,900	602,361	678,249	0.02%
FMC CORP	7,575	573,366	677,129	0.02%
TORCHMARK INC	10,100	642,289	676,700	0.02%
FAIRCHILD SEMICONDUCTOR INTL	35,000	653,872	676,200	0.02%

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<u>Security Name</u>	<u>Montana Domestic Equity Pool</u>			
	<u>Shares</u>	<u>Book Value</u>	<u>Fair Value</u>	<u>%</u>
PETROQUEST ENERGY INC	46,125	664,552	670,658	0.02%
EMBRAER EMPRESA BRASILEIRA DE	13,900	641,068	670,119	0.02%
NATIONAL INTST CORP	25,675	655,790	669,604	0.02%
CONSOL ENERGY INC	14,500	594,100	668,595	0.02%
MARVEL ENTMT INC	26,200	794,458	667,576	0.02%
RADIOSHACK CORP	20,100	602,605	666,114	0.02%
EAST WEST BANCORP INC	17,100	690,352	664,848	0.02%
FORTRESS INVESTMENT	27,800	761,590	662,196	0.02%
VALSPAR CORP	23,225	646,608	659,822	0.02%
NORDSON CORP	13,150	641,163	659,604	0.02%
RADIATION THERAPY SVCS INC	25,040	759,352	659,554	0.02%
VORNADO RLTY TR	6,000	706,379	659,040	0.02%
OWENS + MINOR INC NEW	18,700	636,603	653,378	0.02%
GENESEE + WYO INC	21,870	573,794	652,601	0.02%
VINEYARD NATL BANCORP	28,408	644,092	652,526	0.02%
KENNAMETAL INC	7,950	598,665	652,139	0.02%
FIRST HORIZON NATL CORP	16,700	673,341	651,300	0.02%
SMUCKER J M CO	10,200	530,589	649,332	0.02%
OFFICE DEPOT INC	21,400	792,666	648,420	0.02%
NETWORK APPLIANCE INC	22,100	718,618	645,320	0.02%
RIO TINTO PLC	2,100	502,180	642,852	0.02%
SANDISK CORP	13,100	582,386	641,114	0.02%
METROPCS COMMUNICATIONS INC	19,300	573,000	637,672	0.02%
ST MARY LD + EXPL CO	17,375	629,630	636,273	0.02%
VECTREN CORP	23,625	667,417	636,221	0.02%
INTUIT	21,100	613,315	634,688	0.02%
HARMAN INTL INDS INC NEW	5,400	605,012	630,720	0.02%
MARKEL CORP	1,300	640,580	629,928	0.02%
COLUMBIA SPORTSWEAR CO	9,125	578,308	626,705	0.02%
INTERNATIONAL PAPER CO	15,900	558,968	620,895	0.02%
FIRST DATA CORP	19,000	544,659	620,730	0.02%
SCOTTS MIRACLE GRO CO	14,450	645,220	620,483	0.02%
LHC GROUP INC	23,400	671,226	613,080	0.02%
MCGRATH RENTCORP	18,075	546,113	608,947	0.02%
CYMER INC	15,100	630,996	607,020	0.02%
ARRIS GROUP INC	34,475	486,765	606,415	0.02%
MBIA INC	9,700	667,113	603,534	0.02%
PROSPERITY BANCSHARES INC	18,350	645,541	601,146	0.02%
HERTZ GLOBAL HLDGS INC	22,600	527,006	600,482	0.02%
VALERO ENERGY CORP	8,100	533,748	598,266	0.02%
KFORCE INC	37,329	497,545	596,517	0.02%
FIRST CASH FINANCIAL SERVICES	25,400	577,928	595,376	0.02%
BOYD GAMING CORP	12,100	591,805	595,199	0.02%
COMMUNITY HEALTH SYS INC NEW	14,700	563,385	594,615	0.02%
SEARS HLDGS CORP	3,500	608,387	593,250	0.02%
CARNIVAL CORP	12,000	594,223	585,240	0.02%
MATRIA HEALTHCARE INC	19,210	563,681	581,679	0.02%
FCSTONE GROUP INC	10,146	348,658	581,467	0.02%

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Montana Domestic Equity Pool				
<u>Security Name</u>	<u>Shares</u>	<u>Book Value</u>	<u>Fair Value</u>	<u>%</u>
BROWN + BROWN INC	23,100	596,310	580,734	0.02%
POLO RALPH LAUREN CORP	5,900	546,336	578,849	0.02%
STERICYCLE INC	13,000	516,685	577,980	0.02%
GEHL CO	19,025	535,069	577,599	0.02%
COGNOS INC	14,400	568,818	571,248	0.02%
CORPORATE EXECUTIVE BRD CO	8,800	691,279	571,208	0.02%
ULTRA CLEAN HLDGS INC	40,540	641,971	566,749	0.02%
ARCHER DANIELS MIDLAND CO	17,100	615,389	565,839	0.02%
ANDERSONS INC	12,450	524,302	564,359	0.02%
FURNITURE BRANDS INTL INC	39,700	654,060	563,740	0.02%
INTERWOVEN INC	40,140	644,488	563,566	0.02%
TYSON FOODS INC (DEL)	24,400	479,527	562,176	0.02%
EXPEDITORS INTL WA INC	13,600	594,773	561,680	0.02%
MGM MIRAGEINC	6,800	540,823	560,864	0.02%
TXU CORP	8,300	528,388	558,590	0.02%
CITIZENS COMMUNICATIONS CO	36,200	516,463	552,774	0.02%
RUDOLPH TECHNOLOGIES INC	33,140	564,065	550,455	0.02%
CEPHALON INC	6,800	482,862	546,652	0.02%
THOMAS WEISEL PARTNERS GROUP	32,800	622,107	546,120	0.02%
PINNACLE WEST CAP CORP	13,700	655,115	545,945	0.02%
ADVANCED MICRO DEVICES INC	38,100	646,719	544,830	0.02%
HEALTHSPRING INC	28,550	598,926	544,163	0.02%
PRAXAIR INC	7,500	480,939	539,925	0.02%
ON ASSIGNMENT INC	50,250	620,012	538,680	0.02%
MCCORMICK + CO INC	14,100	516,264	538,338	0.02%
STEELCASE INC	29,000	581,740	536,500	0.02%
ROSS STORES INC	17,400	540,546	535,920	0.02%
PROASSURANCE CORP	9,565	494,866	532,484	0.02%
COMPUTER SCIENCES CORP	9,000	504,759	532,350	0.02%
MYLAN LABS INC	29,100	578,828	529,329	0.02%
CSX CORP	11,700	429,107	527,436	0.02%
FORD MTR CO DEL	55,900	446,692	526,578	0.02%
BIOMET INC	11,500	508,080	525,780	0.02%
WRIGLEY WM JR CO	9,500	541,958	525,445	0.02%
LUFKIN INDS INC	8,120	445,381	524,146	0.02%
BROOKS AUTOMATION INC NEW	28,850	492,924	523,628	0.02%
HILB ROGAL + HOBBS CO	12,150	556,759	520,749	0.02%
GULFPORT ENERGY CORP	25,750	364,473	514,485	0.01%
APARTMENT INVT + MGMT CO	10,200	563,694	514,284	0.01%
CENTRAL GARDEN + PET CO	41,900	585,012	513,694	0.01%
ROYAL BANCSHARES PA INC	26,000	631,420	512,460	0.01%
SPECTRA ENERGY CORP	19,700	511,995	511,412	0.01%
PRINCIPAL FINANCIAL GROUP	8,700	486,561	507,123	0.01%
MONRO MUFFLER BRAKE INC	13,475	486,963	504,639	0.01%
COMPASS BANCSHARES INC	7,300	447,192	503,554	0.01%
INTRNTNL FLAVRS + FRAGRNCs INC	9,600	437,181	500,544	0.01%
FINANCIAL FED CORP	16,725	450,366	498,740	0.01%
BUCYRUS INTL INC NEW	7,000	496,043	495,460	0.01%

**STATE OF MONTANA BOARD OF INVESTMENTS
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Montana Domestic Equity Pool				
<u>Security Name</u>	<u>Shares</u>	<u>Book Value</u>	<u>Fair Value</u>	<u>%</u>
AVAYA INC	29,400	409,908	495,096	0.01%
VIGNETTE CORP	25,600	474,837	490,496	0.01%
MICROSEMI CORP	20,400	422,981	488,580	0.01%
BLOCK H + R INC	20,800	458,388	486,096	0.01%
CANADIAN NATL RY CO	9,500	450,118	483,835	0.01%
AIRGAS INC	10,100	433,410	483,790	0.01%
CIENA CORP	13,375	376,349	483,239	0.01%
REGIONS FINL CORP NEW	14,541	507,110	481,307	0.01%
ARCHSTONE SMITH TR	8,100	436,316	478,791	0.01%
TRIARC COS INC	30,450	548,489	478,065	0.01%
GLOBAL PMTS INC	12,000	477,666	475,800	0.01%
REGIS CORP MINNESOTA	12,425	507,642	475,256	0.01%
PROGRESSIVE CORP OHIO	19,700	486,516	471,421	0.01%
EMBARQ CORP	7,400	457,827	468,938	0.01%
PENSKE AUTOMOTIVE GROUP INC	21,925	471,472	466,783	0.01%
ARCH CAP GROUP LTD	6,400	426,026	464,256	0.01%
CYTEC INDS INC	7,250	424,798	462,333	0.01%
LINCOLN NATL CORP IN	6,500	404,000	461,175	0.01%
PHYSICIANS FORMULA HLDGS INC	29,305	587,801	460,821	0.01%
COGNIZANT TECHNOLOGY SOLUTIONS	6,100	491,366	458,049	0.01%
SONIC SOLUTIONS	35,980	517,241	453,708	0.01%
SCHWAB CHARLES CORP	22,100	431,934	453,492	0.01%
WESTERN UN CO	21,600	459,174	449,928	0.01%
ATMI INC	14,950	494,360	448,500	0.01%
RELIANT ENERGY INC	16,600	372,424	447,370	0.01%
MCAFEЕ INC	12,500	376,376	440,000	0.01%
BB+T CORP	10,700	444,895	435,276	0.01%
FUEL SYS SOLUTIONS INC	26,100	519,227	432,738	0.01%
EOG RESOURCES INC	5,800	401,526	423,748	0.01%
WASTE CONNECTIONS INC	13,938	412,050	421,470	0.01%
FMC TECHNOLOGIES INC	5,300	365,811	419,866	0.01%
BRUNSWICK CORP	12,775	422,801	416,848	0.01%
SOVEREIGN BANCORP INC	19,700	473,110	416,458	0.01%
INTERPUBLIC GROUP COS INC	36,000	435,437	410,400	0.01%
CORN PRODUCTS INTL INC	9,025	302,355	410,186	0.01%
BARR PHARMACEUTICALS INC	8,100	404,862	406,863	0.01%
ARLINGTON TANKERS LTD	14,150	328,142	405,822	0.01%
AMR CORP DEL	15,400	593,362	405,790	0.01%
WASHINGTON MUT INC	9,500	426,164	405,080	0.01%
PEABODY ENERGY CORP	8,300	387,424	401,554	0.01%
MB FINL INC	11,500	417,811	399,510	0.01%
MARSH + MCLENNAN COS INC	12,900	384,278	398,352	0.01%
SCRIPPS E W CO OH	8,600	404,429	392,934	0.01%
SUPERIOR ENERGY SVCS INC	9,800	287,532	391,216	0.01%
BARRICK GOLD CORP	13,400	382,632	389,538	0.01%
DOMINION RES INC VA NEW	4,500	367,829	388,395	0.01%
ROFIN SINAR TECHNOLOGIES INC	5,600	365,065	386,400	0.01%
FORWARD AIR CORP	11,325	363,667	386,069	0.01%

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<u>Security Name</u>	<u>Montana Domestic Equity Pool</u>			
	<u>Shares</u>	<u>Book Value</u>	<u>Fair Value</u>	<u>%</u>
KIMCO RLTY CORP	10,100	441,692	384,507	0.01%
HEALTHCARE SVCS GROUP INC	12,950	375,985	382,025	0.01%
TEAM INC	8,475	304,728	381,121	0.01%
DUKE ENERGY HLDG CORP	20,600	369,253	376,980	0.01%
TRW AUTOMOTIVE HLDGS CORP	10,200	428,002	375,666	0.01%
WESTSTAR ENERGY INC	15,450	418,277	375,126	0.01%
CLEAR CHANNEL COMMUNICATIONS	9,900	363,758	374,418	0.01%
STAGE STORES INC	17,825	389,713	373,612	0.01%
NCR CORP NEW	7,100	332,973	373,034	0.01%
ASML HOLDING N V	13,500	323,797	370,575	0.01%
ELECTRONIC ARTS INC	7,800	364,274	369,096	0.01%
INVESTMENT TECHNOLOGY GROUP	8,500	382,925	368,305	0.01%
CMS ENERGY CORP	21,400	385,926	368,080	0.01%
ALCON INC	2,700	326,247	364,257	0.01%
CBS CORP CLASS B	10,800	337,728	359,856	0.01%
DOLLAR GEN CORP	16,400	354,339	359,488	0.01%
TRIBUNE CO NEW	12,203	380,671	358,768	0.01%
AFC ENTERPRISES INC	20,750	366,848	358,768	0.01%
LENNAR CORP	9,800	443,089	358,288	0.01%
CRA INTL INC	7,420	386,453	357,644	0.01%
DONNELLEY R R + SONS CO	8,200	323,509	356,782	0.01%
WATERS CORP	6,000	351,028	356,160	0.01%
SNAP ON INC	7,000	319,534	353,570	0.01%
FISERV INC	6,200	332,943	352,160	0.01%
AVERY DENNISON CORP	5,200	314,850	345,696	0.01%
UNUM GROUP	13,200	347,570	344,652	0.01%
INVITROGEN CORP	4,600	308,154	339,250	0.01%
TIMKEN CO	9,300	322,589	335,823	0.01%
PALL CORP	7,300	318,236	335,727	0.01%
PETSMART INC	10,300	329,950	334,235	0.01%
BEARINGPOINT INC	45,600	345,513	333,336	0.01%
MANPOWER INC WIS	3,600	282,780	332,064	0.01%
MASCO CORP	11,500	332,545	327,405	0.01%
SOUTHERN CO	9,500	344,976	325,755	0.01%
MCKESSON CORP	5,400	285,414	322,056	0.01%
REPUBLIC SVCS INC	10,500	294,937	321,720	0.01%
MCDERMOTT INTL INC	3,800	246,703	315,856	0.01%
TYLER TECHNOLOGIES INC	25,175	328,611	312,422	0.01%
WENDYS INTL INC	8,500	287,641	312,375	0.01%
FAMILY DLR STORES INC	9,000	257,548	308,880	0.01%
LIBERTY MEDIA CORP NEW	2,600	243,515	305,968	0.01%
NISOURCE INC	14,600	340,413	302,366	0.01%
ALCATEL LUCENT ADS	21,323	284,480	298,523	0.01%
INTERACTIVE BROKERS GROUP INC	11,000	309,977	298,430	0.01%
BOSTON SCIENTIFIC CORP	19,300	354,441	296,062	0.01%
XILINX INC	11,000	283,192	294,470	0.01%
SIGMA ALDRICH	6,900	263,900	294,423	0.01%
LAUDER ESTEE COS INC	6,400	281,854	291,264	0.01%

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Montana Domestic Equity Pool				
<u>Security Name</u>	<u>Shares</u>	<u>Book Value</u>	<u>Fair Value</u>	<u>%</u>
KEYSPAN CORP	6,900	282,958	289,662	0.01%
TECHNE CORP	5,000	284,000	286,050	0.01%
BRIGHTPOINT INC	20,700	232,716	285,453	0.01%
DTE ENERGY CO	5,900	295,232	284,498	0.01%
TEMPLE INLAND INC	4,600	281,855	283,038	0.01%
MARSHALL + ILSLEY CORP	5,900	279,424	281,017	0.01%
AMEREN CORP	5,700	298,454	279,357	0.01%
SLM CORP	4,800	257,907	276,384	0.01%
CHUBB CORP	5,000	257,477	270,700	0.01%
MACYS INC	6,800	264,117	270,504	0.01%
ATWOOD OCEANICS INC	3,925	268,522	269,334	0.01%
YUM BRANDS INC	8,200	232,365	268,304	0.01%
BAUSCH + LOMB INC	3,800	246,837	263,872	0.01%
NAVTEQ CORP	6,200	266,225	262,508	0.01%
CONSOLIDATED EDISON INC	5,800	292,016	261,696	0.01%
SEAGATE TECHNOLOGY	11,900	270,043	259,063	0.01%
EASTMAN KODAK CO	9,300	222,198	258,819	0.01%
CNA FINL CORP	5,400	225,180	257,526	0.01%
CABLEVISION SYS CORP	7,100	230,475	256,949	0.01%
HARRAHS ENTMT INC	3,000	249,441	255,780	0.01%
QUESTAR CORP	4,800	231,673	253,680	0.01%
INTERCONTINENTALEXCHANGE INC	1,700	193,530	251,345	0.01%
MEDICAL ACTION IND INC	13,875	305,643	250,583	0.01%
EQUIFAX INC	5,600	246,943	248,752	0.01%
ANADARKO PETE CORP	4,600	225,929	239,154	0.01%
HERCULES INC	12,100	215,435	237,765	0.01%
D R HORTON INC	11,900	295,122	237,167	0.01%
NRG ENERGY INC	5,700	208,408	236,949	0.01%
M + T BK CORP	2,200	251,934	235,180	0.01%
LAZARD LTD	5,100	234,184	229,653	0.01%
OFFICEMAX INC DEL	5,800	247,587	227,940	0.01%
NICOR INC	5,300	257,737	227,476	0.01%
XL CAPITAL LTD	2,600	193,651	219,154	0.01%
BALL CORP	4,100	222,354	217,997	0.01%
BLACKBAUD INC	9,850	226,070	217,488	0.01%
QWEST COMMUNICATIONS INTL INC	21,800	182,270	211,460	0.01%
INTEGRYS ENERGY GROUP INC	4,157	222,803	210,897	0.01%
PUBLIC STORAGE	2,700	242,338	207,414	0.01%
ABERCROMBIE + FITCH CO	2,800	222,391	204,344	0.01%
DEAN FOODS CO NEW	6,300	220,984	200,781	0.01%
WILLIS GROUP HOLDINGS LTD	4,500	176,939	198,270	0.01%
SEPRACOR INC	4,600	224,369	188,692	0.01%
AVX CORP NEW	10,800	183,892	180,792	0.01%
NORTHROP GRUMMAN CORP	2,300	155,567	179,101	0.01%
GENUINE PARTS CO	3,600	162,512	178,560	0.01%
FLUOR CORP NEW	1,600	143,550	178,192	0.01%
NOBLE CORPORATION	1,800	170,080	175,536	0.01%
IMS HEALTH INC	5,400	153,689	173,502	0.01%

**STATE OF MONTANA BOARD OF INVESTMENTS
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Montana Domestic Equity Pool				
<u>Security Name</u>	<u>Shares</u>	<u>Book Value</u>	<u>Fair Value</u>	<u>%</u>
COVIDIEN LTD	4,000	181,211	172,400	0.00%
AXIS CAPITAL HOLDINGS LTD	4,200	131,295	170,730	0.00%
COCA COLA ENTERPRISES INC	6,900	153,845	165,600	0.00%
PEPSI BOTTLING GROUP INC	4,900	162,827	165,032	0.00%
BURLINGTON NORTHN SANTA FE	1,900	147,858	161,766	0.00%
AGCO CORP	3,700	149,632	160,617	0.00%
NATIONAL CITY CORP	4,800	175,216	159,936	0.00%
HESS CORP	2,700	147,671	159,192	0.00%
DILLARDS INC	4,400	144,038	158,092	0.00%
C H ROBINSON WORLDWIDE INC	3,000	160,046	157,560	0.00%
BOWATER INC	6,200	151,878	154,690	0.00%
ROBERT HALF INTL INC	4,100	158,745	149,650	0.00%
ASSURANT INC	2,500	142,695	147,300	0.00%
JOY GLOBAL INC	2,500	118,171	145,825	0.00%
AVALONBAY CMNTYS INC	1,200	162,553	142,656	0.00%
DEVELOPERS DIVERSIFIED RLTY	2,700	170,477	142,317	0.00%
GENZYME CORP	2,200	138,648	141,680	0.00%
DOW JONES + CO INC	2,400	134,681	137,880	0.00%
GENENTECH INC	1,800	143,244	136,188	0.00%
FIDELITY NATL INFORMATION SVC	2,400	127,185	130,272	0.00%
COMPUWARE CORP	10,900	127,905	129,274	0.00%
FOSTER WHEELER LTD	1,200	120,456	128,388	0.00%
AFFILIATED COMPUTER SVCS INC	2,100	110,043	119,112	0.00%
KLA TENCOR CORP	2,100	114,900	115,395	0.00%
ASHLAND INC NEW	1,800	119,402	115,110	0.00%
KANSAS CITY SOUTHERN	2,900	104,587	108,866	0.00%
APOLLO GROUP INC	1,800	84,106	105,174	0.00%
WATSON PHARMACEUTICALS INC	3,200	101,903	104,096	0.00%
JONES APPAREL GROUP INC	3,600	113,904	101,700	0.00%
PERKINELMER INC	3,300	88,168	85,998	0.00%
DARDEN RESTAURANTS INC	1,900	80,039	83,581	0.00%
WASTE MGMT INC DEL	2,000	73,243	78,100	0.00%
SEALED AIR CORP NEW	2,300	72,274	71,346	0.00%
SMITH INTL INC	1,200	57,926	70,368	0.00%
ITT CORP NEW	1,000	51,933	68,280	0.00%
PROGRESS ENERGY INC	1,400	72,127	63,826	0.00%
LIMITED BRANDS INC	2,300	62,254	63,135	0.00%
PITNEY BOWES INC	1,300	58,044	60,866	0.00%
ACE LTD	900	46,348	56,268	0.00%
PARTNERRE LTD	700	53,990	54,250	0.00%
QUEST DIAGNOSTICS INC	900	49,219	46,485	0.00%
WHIRLPOOL CORP	400	35,330	44,480	0.00%
WHOLE FOODS MKT INC	1,100	55,755	42,130	0.00%
GOODRICH CORP	700	39,607	41,692	0.00%
ALLTEL CORP	600	30,539	40,530	0.00%
QLOGIC CORP	2,400	41,659	39,960	0.00%
ADC TELECOMMUNICATIONS INC	2,000	36,811	36,660	0.00%
CA INC	1,400	36,932	36,162	0.00%

**STATE OF MONTANA BOARD OF INVESTMENTS
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Montana Domestic Equity Pool				
<u>Security Name</u>	<u>Shares</u>	<u>Book Value</u>	<u>Fair Value</u>	<u>%</u>
EASTMAN CHEM CO	500	29,568	32,165	0.00%
ENSCO INTL INC	500	23,949	30,505	0.00%
GAP INC	1,500	29,245	28,650	0.00%
KEYCORP NEW	800	28,872	27,464	0.00%
BEMIS CO INC	700	22,793	23,226	0.00%
EL PASO CORP	1,200	17,509	20,676	0.00%
STARENT NETWORKS CORP	1,200	14,400	17,640	0.00%
HARTMARX CORP	1,900	14,505	15,143	0.00%
CITADEL BROADCASTING CORP	1,775	9,860	11,450	0.00%
COOPER INDUSTRIES LTD	100	4,352	5,709	0.00%
TOTAL SECURITIES	<u>37,717,956</u>	<u>1,414,232,293</u>	<u>1,667,254,774</u>	<u>48.08%</u>
BGI S&P 500 PASSIVE EQUITY INDEX FUND	3,014,772	898,399,726	1,282,790,640	36.99%
WESTERN ASSET LARGE CAP ENHANCED INDEX	13,632,891	206,937,301	230,041,410	6.63%
GOLDMAN SACHS LARGE CAP ENHANCED INDEX	9,330,103	125,956,387	147,508,924	4.25%
DIMENSIONAL FUND SMALL CAP ENHANCED INDEX	61,752	41,566,479	77,259,926	2.23%
BGI S&P 400 MIDCAP PASSIVE EQUITY INDEX FUND	1,021,487	17,955,907	23,221,246	0.67%
TOTAL COMMINGLED ACCOUNTS	<u>27,061,005</u>	<u>1,290,815,799</u>	<u>1,760,822,146</u>	<u>50.78%</u>
STATE STREET SPIFF	<u>74,509</u>	<u>14,386,125</u>	<u>15,076,746</u>	<u>0.43%</u>
CASH EQUIVALENTS	<u>23,743,435</u>	<u>24,467,510</u>	<u>24,426,093</u>	<u>0.70%</u>
TOTAL MDEP	<u>88,596,904</u>	<u>2,743,901,727</u>	<u>3,467,579,758</u>	<u>100.00%</u>

**STATE OF MONTANA BOARD OF INVESTMENTS
CONSOLIDATED INVESTMENT POOL FINANCIAL STATEMENTS**

Montana International Equity Pool					
Currency	Issues	Shares	Carrying Value	Fair Value	%
AUSTRALIAN DOLLAR	77 Issues	5,483,700	38,279,708	50,915,926	3.16%
AUSTRIAN SCHILLING	15 Issues	243,333	10,412,698	13,930,219	0.86%
BELGIUM FRANC	12 Issues	136,690	7,408,223	8,488,887	0.53%
BRAZILIAN REAL	4 Issues	44,600	1,764,304	1,981,024	0.12%
CANADIAN DOLLAR	49 Issues	964,058	29,320,055	35,890,007	2.23%
DANISH KRONE	18 Issues	156,779	9,316,434	13,037,001	0.81%
FINNISH MARKKA	22 Issues	453,068	11,822,681	14,315,298	0.89%
FRENCH FRANC	100 Issues	1,642,937	85,086,140	100,730,411	6.25%
GERMAN MARK	85 Issues	970,659	67,373,715	84,083,860	5.22%
GREEK DRACHMA	8 Issues	175,862	6,420,397	7,999,225	0.50%
HONG KONG DOLLAR	55 Issues	13,228,963	25,240,441	34,255,197	2.12%
HUNGARIAN FORINT	2 Issues	22,172	1,375,386	2,003,487	0.12%
INDONESIAN RUPIAH	4 Issues	3,688,000	741,043	982,562	0.06%
IRISH PUNT	6 Issues	89,672	1,987,111	1,975,479	0.12%
ISRAELI SHEKEL	4 Issues	327,365	1,817,817	1,871,608	0.12%
ITALIAN LIRA	46 Issues	2,946,823	31,499,283	37,031,582	2.30%
JAPANESE YEN	342 Issues	11,022,588	165,809,915	186,819,142	11.59%
SOUTH KOREAN WON	56 Issues	429,701	21,988,142	29,199,894	1.81%
MALAYSIAN RINGGIT	14 Issues	2,700,060	3,921,885	4,493,461	0.28%
MEXICAN PESO	8 Issues	1,959,000	6,373,053	6,854,022	0.43%
NETHERLANDS ANTILLES GUILDER	36 Issues	1,323,197	39,963,600	45,873,044	2.85%
NEW ZEALAND DOLLAR	2 Issues	149,187	371,062	438,522	0.03%
NORWEGIAN KRONE	17 Issues	463,028	6,565,909	10,320,168	0.64%
PHILIPPINES PESO	3 Issues	1,759,840	639,398	1,226,819	0.08%
POLISH ZLOTY	1 Issues	8,301	567,298	768,410	0.05%
PORTUGUESE ESCUDO	4 Issues	372,907	2,213,129	2,884,776	0.18%
SINGAPORE DOLLAR	26 Issues	2,647,029	11,107,459	14,983,915	0.93%
SOUTH AFRICAN RAND	2 Issues	289,782	1,596,750	1,850,274	0.11%
SPANISH PESETA	23 Issues	846,021	18,128,964	20,443,255	1.27%
SWEDISH KRONA	32 Issues	1,511,395	21,940,872	23,603,481	1.46%
SWISS FRANC	48 Issues	745,067	54,609,564	61,902,461	3.84%
NEW TAIWAN DOLLAR	18 Issues	3,129,109	5,567,126	7,360,087	0.46%
THAI BAHT	12 Issues	5,790,500	4,546,002	5,404,292	0.34%
TURKISH LIRA	10 Issues	520,181	2,506,283	3,568,453	0.22%
U K BRITISH POUND	151 Issues	12,363,165	125,242,587	141,522,336	8.78%
U S DOLLAR (ADR)	33 Issues	1,665,541	35,061,310	42,010,883	2.61%
U S DOLLAR (Commingled Accounts)	11 Issues	23,715,506	368,158,834	529,923,232	32.87%
EQUITY TOTAL	1,356 Issues	103,985,786	1,226,744,580	1,550,942,701	96.21%
STATE STREET EAFE ISPIFF	1 Issue	1,614,771	41,753,738	50,883,047	3.16%
STATE STREET STIF	8 Issues	10,245,619	10,245,619	10,245,619	0.64%
MTIP GRAND TOTAL	1,365 Issues	115,846,176	1,278,743,938	1,612,071,367	100.00%

**STATE OF MONTANA BOARD OF INVESTMENTS
CONSOLIDATED INVESTMENT POOL FINANCIAL STATEMENTS**

Montana Private Equity Pool				
Fund Name	Shares	Carrying Value	Fair Value	%
ALTA SUB DEBT PARTNERS III	56,879	56,879	58,543	0.01%
AUSTIN VENTURES III	235,584	235,584	194,289	0.03%
SPROUT CAPITAL VI	244,756	244,756	7,590	0.00%
SUMMIT VENTURE II	128,881	128,881	2,758	0.00%
WCAS CAPITAL PARTNERS II	261,141	261,141	100,869	0.02%
SEPARATE PARTNERSHIPS	927,242	927,242	364,049	0.06%
VENTURE PARTNERSHIP ACQUISITION II	190,080	190,080	21,774	0.00%
VENTURE PARTNER ACQUISITION II	190,080	190,080	21,774	0.00%
BRINSON VENTURE CAP III SECONDARY	1	1	108,619	0.02%
BRINSON VENTURE CAP III	1	1	108,619	0.02%
BRINSON VENTURE PART III SECONDARY	1,623,410	1,623,410	650,239	0.10%
BRINSON VENTURE PART III	1,375,729	1,375,729	649,831	0.10%
INSTITUTIONAL VENTURE CAP FUND III	2,999,141	2,999,141	1,517,308	0.24%
BRINSON VENTURE CAPITAL FUND IV	6,977,483	6,977,483	9,658,399	1.55%
BRINSON VENTURE CAPITAL FUND IV	6,977,483	6,977,483	9,658,399	1.55%
BRINSON NON US PARTNERSHIP FUND	5,622,273	5,622,273	9,827,036	1.58%
BRINSON TRUST	66,136,880	66,136,880	78,872,396	12.68%
BRINSON PARTNERSHIP TRUST	71,759,153	71,759,153	88,699,432	14.26%
ADAMS STREET NON US FUND	8,277,775	8,277,775	10,283,389	1.65%
ADAMS STREET PARTNER FUND	45,734,366	45,734,366	52,525,279	8.45%
ADAMS STREET PARTNERS TRUST	54,012,141	54,012,141	62,808,668	10.10%
ADAMS STREET FUND V	35,513,712	35,513,712	35,307,981	5.68%
ADAMS STREET FUND V	35,513,712	35,513,712	35,307,981	5.68%
ADAMS STREET GLOBAL OPPORTUNITES	12,491,221	12,491,221	12,646,912	2.03%
ADAMS STREET GLOBAL OPPORTUNITES	12,491,221	12,491,221	12,646,912	2.03%
ADAMS STREET Total	184,870,173	184,870,173	211,024,523	33.93%
AFFINITY ASIA PACIFIC FUND III	14,276	14,276	13,980	0.00%
AFFINITY Total	14,276	14,276	13,980	0.00%
ARCLIGHT ENERGY PARTNERS FUND III	10,774,591	10,774,591	10,872,316	1.75%
ARCLIGHT ENERGY PARTNERS FUND II	15,242,500	15,242,500	15,533,068	2.50%
ARCLIGHT Total	26,017,091	26,017,091	26,405,384	4.25%
BUERK DALE VICTOR II L.P.	1,000,000	1,000,000	763,451	0.12%
BUERK DALE VICTOR Total	1,000,000	1,000,000	763,451	0.12%
CARLYLE PARTNERS IV, L.P.	19,939,133	19,939,133	23,543,849	3.79%
CARLYLE VENTURE PARTNERS III	4,432,043	4,432,043	4,539,786	0.73%
CP IV KNIGHT TE HOLDINGS	3,746,489	3,746,489	3,746,489	0.60%
CARLYLE Total	28,117,665	28,117,665	31,830,124	5.12%
CCMP II	7,022,176	7,022,176	6,891,683	1.11%
CCMP Total	7,022,176	7,022,176	6,891,683	1.11%
FIRST RESERVE XI	2,338,715	2,338,715	2,394,463	0.39%
FIRST RESERVE Total	2,338,715	2,338,715	2,394,463	0.39%
HFCP VI	3,314,985	3,314,985	3,314,985	0.53%
HELLMAN + FRIEDMAN INV VI	1,029,855	1,029,855	1,029,855	0.17%
HELLMAN & FRIEDMAN Total	4,344,840	4,344,840	4,344,840	0.70%
HIGHWAY 12 VENTURE II	1,058,305	1,058,305	1,014,597	0.16%
HIGHWAY 12 VENTURES Total	1,058,305	1,058,305	1,014,597	0.16%
INDUSTRY VENTURES FUND IV	2,177,574	2,177,574	2,239,350	0.36%
INDUSTRY VENTURES Total	2,177,574	2,177,574	2,239,350	0.36%
HSH CAYMAN PARTNERS	3,101,072	3,101,073	3,115,604	0.50%
JCF II LP	1,157,779	1,157,779	1,208,575	0.19%
JCF II SIDECAR	1,352,481	1,352,481	1,359,943	0.22%

**STATE OF MONTANA BOARD OF INVESTMENTS
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Montana Private Equity Pool				
Fund Name	Shares	Carrying Value	Fair Value	%
JCF II AIV A I	1	1	3,857	0.00%
J.C. FLOWERS Total	5,611,333	5,611,334	5,687,979	0.91%
JLL PARTNERS FUND V LP	11,420,491	11,420,491	12,722,347	2.05%
JLL PARTNERS Total	11,420,491	11,420,491	12,722,347	2.05%
KKR 1986-1987	2,021,493	2,021,493	1,119,200	0.18%
KKR 1993	1,285,300	1,285,300	427,362	0.07%
KKR 1996	27,873,868	27,873,868	27,035,784	4.35%
KKR EUROPEAN FUND	13,396,667	13,396,667	26,373,215	4.24%
KKR Total	44,577,328	44,577,328	54,955,561	8.84%
LEHMAN BROTHERS CO	16,627,264	16,627,264	17,376,904	2.79%
LEHMAN BROTHERS Total	16,627,264	16,627,264	17,376,904	2.79%
LEXINGTON CAPITAL PARTNERS VIB	11,516,204	11,516,204	11,643,723	1.87%
LEXINGTON CAPITAL PARTNERS V LP	8,220,001	8,220,001	29,557,455	4.75%
LEXINGTON Total	19,736,205	19,736,205	41,201,178	6.63%
MADISON DEARBORN CAP PART IV	14,483,099	14,483,098	23,029,039	3.70%
MDP IV GLOBAL INVESTMENTS LP	2,746,831	2,746,831	10,923,302	1.76%
MDCP V	13,228,164	13,228,163	13,198,334	2.12%
MADISON DEARBORN Total	30,458,093	30,458,092	47,150,676	7.58%
MATLIN PATTERSON GLOBAL OPP	600,000	600,000	600,000	0.10%
MATLIN PATTERSON Total	600,000	600,000	600,000	0.10%
MHR INSTITUTIONAL III	6,519,441	6,519,441	6,780,434	1.09%
MHR INSTITUTIONAL Total	6,519,441	6,519,441	6,780,434	1.09%
OAK HILL CAPITAL PARTNERS II	10,869,303	10,869,303	11,391,399	1.83%
OAK HILL CP II (CAYMAN)	4,541,167	4,541,167	6,998,978	1.13%
OAK HILL Total	15,410,469	15,410,470	18,390,377	2.96%
OCM OPPORTUNITIES FD IVB LP	1	1	8,582,281	1.38%
OAK TREE Total	1	1	8,582,281	1.38%
ODYSSEY INVESTMENTS PARTNERSHIP FD III	10,901,891	10,901,891	15,395,858	2.48%
ODYSSEY INVESTMENTS Total	10,901,891	10,901,891	15,395,858	2.48%
PORTFOLIO ADVISORS IV (B)	6,424,545	6,424,545	6,424,545	1.03%
PORTFOLIO ADVISORS IV (E)	525,000	525,000	525,000	0.08%
PORTFOLIO ADVISORS Total	6,949,545	6,949,545	6,949,545	1.12%
QUINTANA ENERGY PARTNERS TE LP	5,435,543	5,435,543	5,435,543	0.87%
QUINTANA ENERGY Total	5,435,543	5,435,543	5,435,543	0.87%
TERRA FIRMA III LIMITED PART	40,000	52,090	0	0.00%
TERRA FIRMA Total	40,000	52,090	0	0.00%
WCAS CAPITAL PARTNERS FUND IV	12,750,000	12,750,000	13,971,399	2.25%
WCAS IX	10,830,856	10,830,856	19,629,453	3.16%
WCAS X LP	12,184,944	12,184,944	12,763,193	2.05%
WELSH CARSON Total	35,765,800	35,765,800	46,364,044	7.46%
TOTAL PRIVATE EQUITIES	467,014,219	467,026,309	574,515,122	92.38%
STATE STREET SPIFF	234,163	48,034,891	47,382,427	7.62%
STATE STREET Total	234,163	48,034,891	47,382,427	7.62%

**STATE OF MONTANA BOARD OF INVESTMENTS
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Montana Private Equity Pool				
<u>Fund Name</u>	<u>Shares</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>%</u>
MPEP TOTAL	467,248,382	515,061,200	621,897,548	100.00%

**STATE OF MONTANA BOARD OF INVESTMENTS
CONSOLIDATED INVESTMENT POOL FINANCIAL STATEMENTS**

<u>Security Investment</u>	<u>Montana Real Estate Pool</u>		<u>Fair Value</u>	<u>%</u>
	<u>Shares</u>	<u>Carrying Value</u>		
ABR Chesapeake Fund III	8,000,000	\$ 8,000,000	\$ 8,000,000	5.04%
Apollo Real Estate Finance Corp.	1,210	1,210,000	1,102,749	0.69%
Clarion Lion Properties Fund	22,029	30,000,000	30,918,179	19.47%
JP Morgan Chase Bank Strategic Properties Fund	30,000	50,421,317	52,322,354	32.95%
Hudson Realty Capital Fund IV	6,750,000	6,750,000	6,715,305	4.23%
Strategic Partners Value Enhancement Fund	4,846,159	4,846,159	4,634,891	2.92%
TA Associates Realty Fund VIII	5,000,000	5,000,000	5,000,000	3.15%
REAL ESTATE Total	24,649,399	106,227,476	108,693,478	68.45%
SHORT TERM INVESTMENT POOL	50,097,254	50,097,254	50,097,254	31.55%
CASH EQUIVALENT Total	50,097,254	50,097,254	50,097,254	31.55%
MTRP TOTAL	74,746,653	\$ 156,324,730	\$ 158,790,732	100.00%

STATE OF MONTANA BOARD OF INVESTMENTS
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Short Term Investment Pool					
Security Name	Coupon	Maturity	Par	Amortized Cost	%
ADVANTAGE ASSET SECURITY CORP	discount	07/11/07	30,000,000	29,956,000	1.07%
ANGLESEA FUNDING	discount	07/30/07	25,000,000	24,894,170	0.89%
ANGLO IRISH BANK	discount	07/02/07	35,000,000	34,994,901	1.25%
ANGLO IRISH BANK	discount	08/28/07	30,000,000	29,746,250	1.07%
BANCO BILBAO VIZCAYA	discount	07/23/07	25,000,000	24,919,792	0.89%
BANCO BILBAO VIZCAYA	discount	09/27/07	25,000,000	24,677,333	0.88%
BASF AKTIENGESELLSCHAFT	discount	07/02/07	30,700,000	30,695,531	1.10%
BLACK DIAMOND USA	discount	08/03/07	20,000,000	19,903,017	0.71%
BLACK DIAMOND USA	discount	08/10/07	25,000,000	24,853,333	0.89%
BLACK DIAMOND USA	discount	08/21/07	15,000,000	14,886,950	0.53%
BLACK DIAMOND USA	discount	09/24/07	15,000,000	14,811,583	0.53%
BTM CAP CORP	discount	09/19/07	30,000,000	29,647,667	1.06%
BUNGE ASSET FUNDING	discount	07/03/07	30,286,000	30,277,133	1.09%
CENTRESTAR CAPITAL	discount	07/16/07	23,456,000	23,404,397	0.84%
CENTRESTAR CAPITAL	discount	07/19/07	25,000,000	24,934,000	0.89%
CENTRESTAR CAPITAL	discount	07/25/07	20,000,000	19,929,600	0.71%
CHECK POINT CHARLIE LTD	discount	08/09/07	20,000,000	19,885,817	0.71%
CHECK POINT CHARLIE LTD	discount	08/15/07	30,000,000	29,802,375	1.07%
CIMARRON CDO LTD	discount	08/01/07	40,000,000	39,818,133	1.43%
CIT GROUP INC	discount	07/27/07	30,000,000	29,886,250	1.07%
CIT GROUP INC	discount	08/29/07	30,000,000	29,740,892	1.07%
COMMERZBANK U S FINANCE	discount	07/03/07	25,000,000	24,992,722	0.90%
CORAL CAPITAL	discount	07/23/07	25,000,000	24,917,347	0.89%
CORPORACION ANDINA DE FOMENTO	discount	08/31/07	30,000,000	29,732,617	1.07%
DEER VY FUNDING LTD	discount	08/21/07	21,038,000	20,880,636	0.75%
DEPFA BANK PLC	discount	07/26/07	25,000,000	24,909,201	0.89%
DZ BANK AG DEUTSCHE ZENTRAL	discount	07/06/07	30,000,000	29,978,167	1.07%
EBURY FINANCE LTD	discount	08/02/07	25,000,000	24,883,111	0.89%
EBURY FINANCE LTD	discount	09/21/07	30,000,000	29,635,783	1.06%
EXPORT IMPORT BANK KOREA	discount	07/24/07	25,000,000	24,915,986	0.89%
FOUR WINDS FUNDING CORP	discount	07/02/07	40,000,000	39,994,156	1.43%
GOLDEN KEY LTD	discount	08/10/07	38,000,000	37,774,533	1.35%
GOLDEN KEY LTD	discount	07/31/07	48,000,000	47,789,600	1.71%
HIGH GRADE STRUCTURED	discount	08/07/07	30,000,000	29,837,200	1.07%
HIGH GRADE STRUCTURED	discount	08/29/07	10,129,000	10,041,018	0.36%
HIGH GRADE STRUCTURED	discount	09/05/07	25,000,000	24,755,708	0.89%
JOHN DEERE CAPITAL CO	discount	07/17/07	25,000,000	24,941,889	0.89%
KLIO FUNDING LTD/CORP	discount	09/20/07	40,000,000	39,520,300	1.42%
KOMMUNALKREDIT INTL BANK	discount	07/02/07	30,000,000	29,995,617	1.08%
KOMMUNALKREDIT INTL BANK	discount	08/16/07	30,000,000	29,798,367	1.07%
MACQUARIE BANK LIMITED	discount	08/17/07	25,000,000	24,828,319	0.89%
MACQUARIE BANK LIMITED	discount	08/22/07	30,000,000	29,772,067	1.07%
MAXIMILLIAN CAPITAL CORP	discount	09/13/07	13,975,000	13,821,314	0.50%
MAXIMILLIAN CAPITAL CORP	discount	09/18/07	41,682,000	41,192,642	1.48%
MERRIL LYNCH + CO	discount	07/18/07	30,000,000	29,925,908	1.07%
MGIC INVESTMENT CORP	discount	08/24/07	14,561,000	14,445,022	0.52%
MGIC INVESTMENT CORP	discount	09/13/07	10,000,000	9,891,056	0.35%
NATIXIS	discount	08/08/07	30,000,000	29,833,750	1.07%
NATIXIS	discount	08/14/07	30,000,000	29,807,133	1.07%
NEPTUNE FUNDING CORP	discount	08/03/07	16,456,000	16,376,051	0.59%
NEPTUNE FUNDING CORP	discount	08/20/07	14,098,000	13,995,006	0.50%
NEPTUNE FUNDING CORP	discount	08/30/07	30,000,000	29,736,000	1.07%
OLD COURT FUNDING CO LTD	discount	09/06/07	26,553,000	26,291,578	0.94%

**STATE OF MONTANA BOARD OF INVESTMENTS
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Short Term Investment Pool					
Security Name	Coupon	Maturity	Par	Amortized Cost	%
ORCHID FUNDING CORP	discount	07/09/07	20,000,000	19,976,578	0.72%
ORCHID FUNDING CORP	discount	09/17/07	30,000,000	29,655,500	1.06%
ORCHID FUNDING CORP	discount	09/17/07	30,000,000	29,652,250	1.06%
PANTERRA FUNDING	discount	07/09/07	25,000,000	24,970,667	0.90%
RHINELAND FUNDING CAPITAL	discount	07/12/07	14,103,000	14,080,247	0.50%
RHINELAND FUNDING CAPITAL	discount	08/20/07	48,023,000	47,670,164	1.71%
RHINELAND FUNDING CAPITAL	discount	09/25/07	30,000,000	29,617,300	1.06%
ROMULUS FUNDING CORP	discount	09/25/07	30,906,000	30,511,742	1.09%
SACHSEN FUNDING I LTD	discount	08/13/07	30,000,000	29,810,442	1.07%
SUNBELT FUNDING CORP	discount	07/10/07	20,000,000	19,973,700	0.72%
SUNBELT FUNDING CORP	discount	07/13/07	23,516,000	23,474,769	0.84%
SUNBELT FUNDING CORP	discount	07/27/07	15,000,000	14,943,125	0.54%
SYDNEY CAPITAL INC	discount	08/23/07	16,370,000	16,242,509	0.58%
TIMES SQUARE	discount	07/20/07	40,000,000	39,888,744	1.43%
TIMES SQUARE	discount	08/23/07	30,000,000	29,766,800	1.07%
UBS FINANCE DEL LLC	discount	08/06/07	25,000,000	24,869,000	0.89%
WHITE POINT FUNDING INC	discount	07/05/07	18,788,000	18,776,999	0.67%
Commercial Paper	70 Issue(s)		1,865,640,000	1,854,755,464	66.48%
CHEYNE FINANCE	5.360	09/25/07	30,000,000	29,998,613	1.08%
CREDIT INDUSTRIEL	5.405	06/11/08	50,000,000	50,002,277	1.79%
CREDIT SUISSE	5.330	01/16/08	35,000,000	35,000,000	1.25%
CREDIT SUISSE	5.410	08/24/07	40,000,000	40,000,284	1.43%
HARRIER FINANCE FUNDING	5.360	05/29/08	40,000,000	40,000,000	1.43%
HARRIER FINANCE FUNDING	5.418	06/06/08	40,000,000	40,000,000	1.43%
PREMIER ASSET	5.260	12/21/07	30,000,000	30,000,000	1.08%
PREMIER ASSET	5.440	08/27/07	30,000,000	30,000,000	1.08%
SIGMA FINANCE INC	5.385	02/04/08	30,000,000	30,000,000	1.08%
THETA CORP	5.430	09/21/07	30,000,000	30,000,000	1.08%
THETA CORP	5.400	02/08/08	40,000,000	40,000,000	1.43%
VETRA FINANCE INC	5.430	06/20/08	40,000,000	40,000,000	1.43%
WELLS FARGO BANK	5.400	08/31/07	40,000,000	40,000,000	1.43%
Corporate Fixed	13 Issue(s)		475,000,000	475,001,174	17.03%
AXON FINANCIAL FUNDING	5.310	04/15/08	50,000,000	49,997,031	1.79%
AXON FINANCIAL FUNDING	5.345	04/14/08	40,000,000	39,996,870	1.43%
CORTLAND CAPITAL	5.320	03/13/08	50,000,000	50,000,000	1.79%
CORTLAND CAPITAL	5.344	04/15/08	25,000,000	24,998,971	0.90%
CULLINAN FINANCE	5.310	01/04/08	25,000,000	24,997,597	0.90%
ORION FINANCE USA	5.336	01/16/08	25,000,000	24,998,637	0.90%
ORION FINANCE USA	5.336	04/21/08	25,000,000	24,998,593	0.90%
PARKLAND USA LLC	5.330	05/27/08	25,000,000	24,997,751	0.90%
PARKLAND USA LLC	5.330	11/15/07	25,000,000	25,000,000	0.90%
PARKLAND USA LLC	5.330	02/28/08	25,000,000	24,998,343	0.90%
STANFIELD VICTORIA FINANCE	5.285	09/04/07	25,000,000	24,999,779	0.90%
THETA CORP	5.345	01/14/08	15,000,000	15,000,000	0.54%
ZELA FINANCE INC	5.330	11/14/07	25,000,000	24,999,069	0.90%
Corporate Variable-Rate (Floating Rate)	15 Issue(s)		380,000,000	379,982,640	13.62%
MONTANA HIGHER ED STUDENT ASSISTANCE CORP	5.820	08/01/07	5,000,000	5,000,000	0.18%
Municipal Variable Rate (Unrated)	1 Issue(s)		5,000,000	5,000,000	0.18%
STATE STREET INSTITUTIONAL LIQUID RESERVES	5.263	12/31/99	25,000,000	25,000,000	0.90%
Money Market Funds	1 Issue(s)		25,000,000	25,000,000	0.90%

**STATE OF MONTANA BOARD OF INVESTMENTS
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<u>Short Term Investment Pool</u>					
<u>Security Name</u>	<u>Coupon</u>	<u>Maturity</u>	<u>Par</u>	<u>Amortized Cost</u>	<u>%</u>
FEDERAL FARM CREDIT BANKS	5.300	08/16/07	25,000,000	24,999,456	0.90%
FEDERAL HOME LOAN BANK	5.250	09/04/07	25,000,000	25,000,000	0.90%
U.S. Government Indirect-Backed	2 Issue(s)		50,000,000	49,999,456	1.80%
Grand Total	100 Issue(s)		2,800,640,000	2,789,738,734	100.00%

LEGISLATIVE AUDIT DIVISION

Scott A. Seacat, Legislative Auditor
Tori Hunthausen,
Chief Deputy Legislative Auditor



Deputy Legislative Auditors:
James Gillett
Angie Grove

INDEPENDENT AUDITOR'S REPORT

The Legislative Audit Committee
of the Montana State Legislature:

We have audited the accompanying Statement of Net Investments Managed for the state of Montana Board of Investments, All Other Funds, as of June 30, 2007, and 2006, and the related Statement of Net Investment Income and Statement of Changes in Net Investments Managed for each of the fiscal years then ended. The information contained in these financial statements is the responsibility of the Board of Investments' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net investments managed by the Board of Investments, All Other Funds, as of June 30, 2007, and 2006, and its net investment income and changes in its net investments managed for the fiscal years then ended, in conformity with accounting principles generally accepted in the United States of America.

Respectfully submitted,

/s/ James Gillett

James Gillett, CPA
Deputy Legislative Auditor

November 26, 2007

**STATE OF MONTANA BOARD OF INVESTMENTS
ALL OTHER FUNDS FINANCIAL STATEMENTS**

STATEMENT OF NET INVESTMENTS MANAGED, JUNE 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
<u>Assets</u>		
Investments managed at fair value (amortized cost of \$1,428,644,473 in 2007 and \$1,482,517,445 in 2006) (Notes 2, 6 and 13)	\$ 1,449,900,519	\$ 1,476,243,872
Security lending cash collateral (Notes 3, 6 and 12)	235,940,297	198,156,646
Interest receivable	16,032,675	15,409,976
Broker receivable for securities sold but not settled (Note 2)	<u>179,107</u>	<u>127,807</u>
Total assets	\$ <u>1,702,052,598</u>	\$ <u>1,689,938,301</u>
<u>Liabilities</u>		
Unrealized gain (loss)	\$ 21,256,046	\$ (6,273,573)
Security lending obligations	235,940,297	198,156,646
Security lending expense payable	1,128,657	811,666
Broker payable for securities purchased but not settled (Note 2)	0	0
Accounts payable	<u>39,437</u>	<u>31,996</u>
Total liabilities	\$ <u>258,364,437</u>	\$ <u>192,726,735</u>
Net investments managed	\$ <u>1,443,688,161</u>	\$ <u>1,497,211,566</u>

**STATEMENT OF NET INVESTMENT INCOME
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2006**

<u>Income</u>		
Investment income (Note 2)	\$ 70,529,012	\$ 68,598,183
Realized gain/loss on sales (Note 2)	152,236,339	41,367,058
Amortization/accretion	1,715,127	1,011,473
Security lending income	<u>9,416,180</u>	<u>9,457,635</u>
Total income	\$ <u>233,896,658</u>	\$ <u>120,434,349</u>
<u>Expenses</u>		
Administrative expenses	776,251	929,648
Security lending expense	<u>9,322,249</u>	<u>9,308,384</u>
Total expenses	\$ <u>10,098,500</u>	\$ <u>10,238,032</u>
Net investment income	\$ <u>223,798,158</u>	\$ <u>110,196,317</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF MONTANA BOARD OF INVESTMENTS
ALL OTHER FUNDS FINANCIAL STATEMENTS**

**STATEMENT OF CHANGES IN NET INVESTMENTS MANAGED
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
Total net investments managed, beginning of year	\$ 1,497,211,566	\$ 1,461,896,844
Net investment income	223,798,158	110,196,317
Income remitted to agencies	<u>224,420,857</u>	<u>111,459,190</u>
Increase (decrease) in interest receivable	622,699	1,262,873
Increase (decrease) in broker receivable (Note 2)	51,300	(22,442)
Increase (decrease) in security lending cash collateral (Notes 3 and 6)	37,783,651	172,680,425
Investments purchased	4,792,562,252	5,512,694,333
Investments sold, matured and called	<u>(4,848,150,351)</u>	<u>(5,486,266,522)</u>
Increase (decrease) in book value of investments	(55,588,099)	26,427,811
Increase (decrease) in book value of investments due to net amortization of discounts and premiums	1,715,127	1,011,473
(Increase) decrease in broker payable (Note 2)	0	7,000,000
(Increase) decrease in accounts payable	(7,441)	(21,368)
(Increase) decrease in security lending obligations (Notes 3 and 6)	(37,783,651)	(172,680,425)
(Increase) decrease in security lending expense payable	<u>(316,991)</u>	<u>(343,625)</u>
Net investments managed, end of year	\$ <u>1,443,688,161</u>	\$ <u>1,497,211,566</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF MONTANA BOARD OF INVESTMENTS
ALL OTHER FUNDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006**

1. HISTORY AND ORGANIZATION

The Board was created by an act of the Legislature to invest and manage the Unified Investment Program on a centralized basis per section 17-6-201, MCA. The All Other Funds (AOF) investments and income are owned by various State of Montana agencies and managed by the Board.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments

The AOF investments are purchased in accordance with the statutorily mandated "Prudent Expert Principle" and applicable investment restrictions of the participants. The AOF portfolio includes securities classified as corporate, U.S. government direct-backed, U.S. government indirect-backed, equity index, real estate, mortgages and loans. U.S. government direct-backed securities include direct obligations of the U.S. Treasury and obligations explicitly guaranteed by the U.S. government. U.S. government indirect-backed obligations include U.S. government agency and mortgage-backed securities. U.S. government mortgage-backed securities reflect participation in a pool of residential mortgages. Equity index investments are investments in selected mutual funds whose equity portfolios match a broad based index or composite.

AOF fixed income securities pay a fixed rate of interest until maturity while the variable-rate (floating-rate) securities pay a variable interest rate until maturity. As of June 30, 2007, the AOF portfolio held three variable rate corporate bonds with an amortized cost of \$19 million. As of June 30, 2006, the AOF portfolio held two variable rate corporate bonds with an amortized cost of \$14 million. The AOF variable-rate securities float with LIBOR (London Interbank Offered Rate). (See Note 13 for the Year End Portfolio.)

Investments are presented in the Statement of Net Investments Managed at fair value. Fair values for publicly traded securities are determined primarily by reference to market prices supplied by the Board's custodial bank, State Street Bank and Trust. The real estate investments and residential and multi-family mortgages are valued based on a discounted cash flow. The commercial in-state coal tax loans and the nonparticipating repurchase agreements are reported at amortized cost. Amortized cost, parenthetically disclosed, represents the original cost, adjusted for premium and discount amortization where applicable. Premiums and discounts are amortized/accreted using the straight-line or scientific method to the call, average life or maturity date of the securities. Amortized cost may also be referred to as book value.

Broker Receivable/Payable

AOF security transactions are recorded as of the trade date rather than the settlement date. Because of this generally accepted practice, the AOF portfolio at June 30 may include receivables from brokers for securities sold but not delivered, and payables to brokers for securities purchased but not received.

Montana Mortgages and Loans Receivable

The Montana mortgages and loans receivable, included in the Statement of Net Investments Managed, represent residential mortgages and commercial loans funded by the Public Employees' and Teachers' pension funds and the Coal Severance Tax Trust fund. The Coal Severance Tax Trust loan portfolio includes loans made by the Montana Science and Technology Alliance (MSTA) Board. The MSTTA Board was abolished on July 1, 1999 and the MSTTA portfolio was assigned to the Board of Investments. (See Note 7 for the Montana mortgages and loans portfolio).

In June 2005, the Board received notice that Positive Systems, Inc. has "ceased business operations". This borrower, funded by the MSTTA, received \$200,000 and \$350,000 in May 1994 and March 1998, respectively. As of June 30, 2006, Positive Systems, Inc. had an outstanding loan balance of \$546,074. In July 2006, the Board received confirmation that Positive Systems, Inc. has "indeed ceased all business operation". This loan balance of \$546,074 was written off in September 2006. With the exception of this loan, there were no other uncollectible account balances for Montana mortgages and loans receivable as of June 30, 2007 and 2006.

Investment Income

Investment income reported in the Statement of Net Investment Income includes fixed income and mortgage interest earnings, real estate lease income, commercial loan interest earnings and commitment fees.

Realized Gain on Sales

Realized gain on sales reported in the Statement of Net Investment Income represents the net gain/loss resulting from the sale of fixed income and pool investments. . In fiscal year 2007, the sale of pool units from the Montana Domestic Equity Pool (MDEP), Montana International Equity Pool (MTIP) and the Trust Funds Bond Pool (TFBP), generated a net gain to participants of \$154,843,150. In fiscal year 2006, the sale of pool units from the Montana Domestic Equity Pool (MDEP), Trust Funds Bond Pool (TFBP), and the Montana International Equity Pool (MTIP) generated a net gain to participants of \$42,974,810.

3. SECURITIES LENDING

The Board is authorized by law to lend its securities and has contracted with the custodial bank, State Street Bank and Trust "the Bank", to lend the Board's securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. During the period the securities are on loan, the Board receives a fee and the custodial bank must initially receive collateral equal to 102 percent of the fair value of the loaned securities and maintain collateral equal to not less than 102 percent of the fair value of the loaned security. The Board retains all rights and risks of ownership during the loan period.

During fiscal years 2007 and 2006, the Bank loaned certain Board securities and received U.S. dollar currency cash, U.S. government and government sponsored securities, U.S. corporate debt securities, supranational agencies debt, asset backed securities and irrevocable bank letters of credit. The Bank does not have the ability to pledge or sell collateral securities unless the borrower defaults.

The Board did not impose any restrictions during fiscal years 2007 and 2006 on the amount of Board securities the Bank could loan. There were no failures by any borrowers to return loaned securities or pay distributions thereon during fiscal years 2007 and 2006. Moreover, there were no losses during fiscal years 2007 and 2006 resulting from a default of the borrowers or the Bank.

During fiscal years 2007 and 2006, the Board and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received for each loan was invested, together with the cash collateral of other qualified plan lenders, in a collective investment pool. The Securities Lending Quality Trust has a weighted average maturity of 66 and 56 days, respectively, as of June 30, 2007 and 2006. The Quality D Trust has a weighted average maturity of 68 and 58 days, respectively, as of June 30, 2007 and 2006. The relationship between the average maturities of the investment pool and the Board's loans was affected by the maturities of the loans made by other plan entities that invested cash collateral in the collective investment pool, which the Board could not determine. At year-end, the Board had no credit risk exposure to borrowers because the collateral pledged by the borrowers exceeded the value of the securities borrowed.

As of June 30, 2007, the fair value of the underlying securities on loan for the All Other Funds was \$300,291,105. The collateral provided for the securities on loan totaled \$235,940,297 in cash and \$69,739,224 in securities collateral. The fair value of the underlying securities on loan is categorized as \$31,643,553 corporate, \$29,067,343 U.S. government direct-backed and \$239,580,209 U.S. government indirect-backed.

As of June 30, 2006, the fair value of the underlying securities on loan for the All Other Funds was \$198,856,122. The collateral provided for the securities on loan totaled \$198,156,646 in cash and \$6,215,625 in securities collateral. The fair value of the underlying securities on loan is categorized as \$13,680,605 corporate, \$ 26,930,388, U.S. government direct-backed and \$158,245,129 U.S. government indirect-backed.

4. COAL TAX LOAN AND MORTGAGE COMMITMENTS

The Board makes firm commitments to fund loans from the Coal Severance Tax Trust fund. These commitments have expiration dates and may be extended according to the Board's policies. As of June 30, 2007, the Board had committed but not yet purchased \$12,042,000 in loans from Montana lenders, compared to \$76,503,977 as of June 30, 2006. In addition to the above commitments, lenders had reserved \$40,754,872 for loans as of June 30, 2007, compared to \$55,143,007 on the same date in 2006.

The Board makes reservations to fund mortgages from the Public Employees' and Teachers' retirement funds. As of June 30, 2007, mortgage reservations totaled \$791,491. As of June 30, 2006, mortgage reservations totaled \$1,478,884. Effective December 1, 2005, all Board residential mortgage purchases are processed by the Montana Board of Housing (MBOH). The MBOH does not differentiate between a mortgage reservation and a funding commitment.

5. PENSION FUND REAL ESTATE INVESTMENTS

100 North Park Building

In January 1996, the Board, on behalf of the Public Employees' and Teachers' Retirement funds, purchased the 100 North Park Avenue Building in Helena, Montana as a real estate investment. Acquired for a cost of \$4,864,326, the building carries a fair value of \$6,500,874 as of June 30, 2007. During fiscal year 2007, building improvements for build-outs, heating/cooling, and leasing fees totaling \$352,187 were added to the cost of the building. Building improvements and leasing fees totaling \$64,607 were included in the cost of the building in fiscal year 2006. The three-story building provides office space for seven tenants.

2401 Colonial Drive Building

In August 1997, the Board authorized the construction of an office building, as a real estate investment owned equally by the Public Employees' and Teachers' Retirement funds. Construction costs, including interest capitalization, totaled \$6,481,741 as of June 30, 2000. For fiscal year 2007, \$99 was capitalized for a composite plan of building and heating/cooling system improvements. In fiscal year 2006, heating/cooling system improvements and leasing fees of \$93,257 were added to the building cost. The three-story building, providing office space for three tenants, was occupied in November 1999. As of June 30, 2007, the building carries a cost and fair value of \$7,183,950 and \$7,676,349, respectively.

2273 Boot Hill Court Building

In August 1999, the Board authorized the purchase of a new office building in Bozeman, Montana. Upon construction completion, the Public Employees' and Teachers' Retirement funds purchased the building, in March 2004, as a real estate investment with equal ownership, for \$2,051,032. In fiscal year 2007 and 2006, there were no improvements made to this building. The building, located on state school trust land, is occupied by four state agencies. As of June 30, 2007, the building carries a fair value of \$2,082,014.

1712 Ninth Avenue Building

In November 2000, the Land Board authorized the transfer of the Public Employees' Retirement Administration (PERA) office building, located at 1712 Ninth Avenue, Helena, to the Board of Investments. By issuance of a corrective deed, the Board of Investments was named owner and building manager for the use and benefit of the PERA. In fiscal year 2007, there were no improvements made to this building. In fiscal year 2006, installations were made for door operators totaling \$3,257. As of June 30, 2007, the building, occupied by one tenant, is valued at \$579,625.

The schedule below details the minimum future rentals for the above buildings with non-cancelable operating leases as of June 30, 2007 and 2006:

Minimum future rentals for the year ending June 30, 2007:

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013+</u>	<u>Total</u>
\$933,825	\$591,639	\$531,938	\$415,526	\$256,222	\$261,313	\$2,990,461

Minimum future rentals for the year ending June 30, 2006:

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012+</u>	<u>Total</u>
\$833,146	\$432,518	\$435,122	\$439,993	\$413,109	\$477,931	\$3,031,819

California Street Property

In December 1998, the Board acquired a parcel of land adjacent to the Colonial Drive building to provide for additional parking. This land was purchased for \$204,835. For fiscal year 2007, \$756 in filing fees were capitalized related to the purchase of the property. As of June 30, 2007 the property carries a fair value of \$214,359.

State Fund Building Property

On May 18, 2006, the Board approved authorization for a real estate allocation in the Montana State Fund portfolio for the cost of a new building. On May 17, 2007, the Board acquired land at a cost of \$1,131,940. Building construction will begin in fiscal year 2008. With interest capitalization of \$7,520, the land carries a book and fair value of 1,139,460 as of June 30, 2007.

6. INVESTMENT RISK DISCLOSURES

Effective June 30, 2005, the Board implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 40 – Deposit and Investment Risk Disclosures. The investment risk disclosures are described in the following paragraphs.

Credit Risk

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligation. With the exception of the U.S. government securities, the AOF fixed income instruments have credit risk as measured by major credit rating services. This risk is that the issuer of a fixed income security may default in making timely principal and interest payments. The Board of Investment's policy requires AOF fixed income investments, at the time of purchase, to be rated an investment grade as defined by Moody's and Standard & Poor's (S&P) rating services. The U.S. government securities are guaranteed directly or indirectly by the U.S. government. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. The credit ratings presented in the following table are provided by S&P's rating services. If an S&P rating is not available, a Moody's rating has been used.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. As of June 30, 2007 and 2006, all the fixed income and other equity securities were registered in the nominee name for the Montana Board of Investments and held in the possession of the Board's custodial bank, State Street Bank. The Equity Index, Real Estate, Mortgage and Loan investments are registered in the name of the Montana Board of Investments. The State Street and US Bank repurchase agreements were purchased in the State of Montana Board of Investments name.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. With the exception of one fund, the 18 remaining investment policy statements for various state agencies do not address concentration of credit risk. One fund requires credit risk to be limited to 3 percent in any one name except AAA rated issues will be limited to 6%. This fund also has specific client preferences. Investments issued or explicitly guaranteed by the U.S. government and investments by various state agencies, pooled as the All Other Funds, are excluded from the concentration of credit risk requirement.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The All Other Funds' investment policies do not formally address interest rate risk. In accordance with GASB Statement No. 40, the Board has selected the effective duration method to disclose interest rate risk. This method, as provided by the custodial bank, is "An option-adjusted measure of a bond's (or portfolio's) sensitivity to changes in interest rates." Duration is calculated as the average percentage change in a bond's value (price plus accrued interest) under shifts of the Treasury curve plus/minus 100 basis points. The effective duration method incorporates the effect of the embedded options for bonds and changes in prepayments for mortgage-backed securities (including pass-throughs, CMOs and ARMs)."

As of June 30, 2007 and 2006, the AOF portfolio did not hold any structured financial instruments known as REMICs (Real Estate Mortgage Investment Conduits). REMICs are pass-through vehicles for multiclass mortgage-backed securities. The REMIC securities are based on separate or combined cash flows from principal and interest payments on underlying mortgages.

Corporate asset-backed securities are based on cash flows from principal and interest payments on underlying auto loan receivables, credit card receivables, and other assets. These securities, while sensitive to prepayments due to interest rate changes, have less credit risk than securities not backed by pledged assets.

State of Montana investments are categorized below to disclose credit and interest rate risk as of June 30, 2007 and June 30, 2006. Credit risk reflects the bond quality rating, by investment type, as of the June 30 report date. Interest rate risk is disclosed using effective duration. If a bond investment type is unrated, the quality type is indicated by NR (not rated). Both the credit quality ratings and duration have been calculated excluding cash equivalents. If duration has not been calculated, duration is indicated by NA (not applicable).

Credit Quality Rating and Effective Duration as of June 30, 2007

<u>Security Investment Type</u>	<u>Fair Value</u>	<u>Credit Quality Rating</u>	<u>Effective Duration</u>
Corporate Bonds (Rated)	\$ 440,549,099	A+	3.89
U.S. Government Direct-Backed	59,915,749	AAA	4.62
U.S. Government Indirect-Backed	517,414,883	AAA	3.30
US Bank Sweep Repurchase Agreement*	<u>18,255,027</u>	<u>NR</u>	<u>NR</u>
Total Fixed Income Investments	\$ <u>1,036,134,758</u>	<u>AA</u>	<u>3.63</u>
<u>Direct Investments</u>			
Equity Index Fund	\$ 100,545,339		
Real Estate	18,192,681		
MT Mortgages and Loans	<u>295,027,741</u>		
Total Direct Investments	\$ <u>413,765,761</u>		
TOTAL INVESTMENTS	\$ <u>1,449,900,519</u>		
Securities Lending Collateral Investment Pool	\$ <u>235,940,298</u>	NR	NA

*At June 30, 2007, the US Bank repurchase agreement, per contract, was collateralized at 102% for \$18,628,275 by a Federal Home Loan Mortgage Corporation REMIC maturing April 15, 2034. This security carries a AAA credit quality rating.

Credit Quality Rating and Effective Duration as of June 30, 2006

<u>Security Investment Type</u>	<u>Fair Value</u>	<u>Credit Quality Rating</u>	<u>Effective Duration</u>
Corporate Bonds (Rated)	\$ 386,073,420	A	3.69
U.S. Government Direct-Backed	62,682,844	AAA	4.55
U.S. Government Indirect-Backed	620,036,700	AAA	2.39
US Bank Sweep Repurchase Agreement*	<u>18,642,905</u>	<u>NR</u>	<u>NA</u>
Total Fixed Income Investments	\$ <u>1,087,435,869</u>	<u>AA</u>	<u>2.99</u>
<u>Direct Investments</u>			
Equity Index Fund	\$ 83,377,362		
Real Estate	16,693,086		
MT Mortgages and Loans	<u>288,737,555</u>		
Total Direct Investments	\$ <u>388,808,003</u>		
TOTAL INVESTMENTS	\$ <u>1,476,243,872</u>		
Securities Lending Collateral Investment Pool	\$ <u>198,156,646</u>	<u>NR</u>	<u>NA</u>

*At June 30, 2006, the US Bank repurchase agreement, per contract, was collateralized at 102% for \$19,024,084 by a Federal Home Loan Mortgage Corporation REMIC maturing July 15, 2033. This security carries a AAA credit quality rating.

Legal Risk

The Board is not aware of any legal risks regarding any AOF investments.

7. MONTANA MORTGAGES AND LOANS

The Montana mortgages and loans portfolio is shown below.

<u>Montana Mortgages and Loans</u>	<u>2007 Book Value</u>	<u>2006 Book Value</u>
Residential Mortgages	\$ 68,837,530	80,750,504
Science and Technology Alliance ⁽¹⁾	4,286,782	4,985,147
Montana University System	8,802,368	8,880,585
Department of Natural Resources ⁽²⁾	11,573,605	31,047,064
Department of Justice	2,317,000	2,112,000
Montana Facility Finance	4,615,196	14,476
Local Government Infrastructure	18,859,692	7,465,725
Value-added Loans	17,760,734	9,191,738
Commercial Loans	<u>158,551,796</u>	<u>145,231,919</u>
Permanent Coal Trust Loans	226,767,173	208,928,654
Total Montana Mortgages and Loans	\$ 295,604,703	\$ 289,679,158

(1) The Montana Science and Technology Alliance (MSTA) loans include funding for research and development, mezzanine and seed capital loans.

(2) In accordance with Senate Bill 495 enacted by the 2001 Legislature, the Coal Severance Tax Permanent Trust loaned 483,604 TFBP shares, with a book value of \$46,366,904, to the Department of Natural Resources, Trust and Legacy fund on July 2, 2001. The loan proceeds were deposited in the Trust and Legacy Fund. A loan receivable was recorded in the Coal Severance Tax Permanent Trust and a corresponding liability was recorded in the Guarantee Fund, a General Fund sub-fund. The August 2002 Special Legislative Session approved the request to record this activity in a state special revenue fund of the Office of Public Instruction rather than in the Guarantee Fund. In fiscal year 2007, the Trust and Legacy Fund paid \$19,473,459 to the Coal Severance Tax Permanent Trust. These transactions reduced the TFBP shares on loan to 120,712 with a corresponding book value of \$11,573,605. During fiscal year 2006, the Trust and Legacy Fund paid \$10,848,960 to the Coal Severance Tax Permanent Trust reducing the TFBP shares on loan to 323,819 with a corresponding book value of \$31,047,064.

8. DEUTSCHE BANK SECURITIES, INC. COMPLAINT

The Board received a summons and complaint, dated September 3, 2002, regarding the sale of a Pennzoil Quaker State, \$2 million par, 6.75% corporate bond maturing April 1, 2009. Deutsche Bank Securities claims a "breach of contract" for the March 25, 2002 sale of the bond at a price of \$94.669 plus accrued interest. Deutsche Bank Securities seeks damages of \$215,453 for the additional costs incurred to acquire the bond from third parties, plus any statutory interest, costs and expenses. On October 1, 2002, Shell Oil Company acquired Pennzoil and subsequently announced a public tender of Pennzoil Quaker State debt. The Board tendered the Pennzoil Quaker State holdings on October 8, 2002 at a price of \$113.099. The tender was accepted with a settlement date of November 1, 2002. On November 4, 2002, the Board received \$2,273,230 in principal and interest plus \$60,000 as a consent fee.

On December 11, 2003, the Supreme Court of the State of New York, New York County, entered an order dismissing Deutsche Bank's complaint on jurisdictional grounds. Deutsche Bank appealed that decision to the Appellate Division, which on June 14, 2005 reversed the Supreme Court and entered an order determining the Board to be liable and remanding the matter back to the Supreme Court for a determination of damages. The Board appealed that decision to the New York Court of Appeals, which on June 6, 2006 affirmed the Appellate Division's decision. The Board petitioned for certiorari to the United States Supreme Court on certain jurisdictional issues but the petition was not considered. As a stipulation of discontinuance, the sum of \$266,600 was paid to Deutsche Bank on March 28, 2007.

9. LOAN GUARANTEES

As of June 30, 2007, loan guarantees provided by the Coal Severance Tax Permanent Trust to the Enterprise Fund and the Montana Facility Finance Authority total \$186,630,336. Board of Investment exposure to bond issues of the Enterprise Fund is \$98,850,000 while exposure to bond issues, surety bonds and designated loans of the Facility Finance Authority is \$87,780,336.

As of June 30, 2006, loan guarantees provided by the Coal Severance Tax Permanent Trust to the Enterprise Fund and the Montana Facility Finance Authority total \$131,280,309. Board of Investment exposure to bond issues of the Enterprise Fund is \$84,050,000 while exposure to bond issues, surety bonds and designated loans of the Facility Finance Authority is \$47,230,309.

10. CLASS ACTION LITIGATION

In April 2005, the Board signed a contract with the law firm Barrack, Rodos & Bacine to ensure that the Board participates in all class action litigation to which it is entitled to participate. Historically, the Board has relied on the Bank to complete and file class action claims on the Board's behalf. While the Bank will continue to complete these duties, the law firm will monitor transactions that may entitle the Board to be a party in any class action litigation. The law firm will access Board portfolios and securities transactions on the Bank's accounting system and request written documentation from the Bank proving the claims have been filed. Class action litigation results from fraudulent activity damaging the Board's investments. While the Board has never pursued becoming a lead plaintiff in class action litigation, the law firm contract permits the Board to become a lead or co-lead plaintiff in these instances. Under certain circumstances the Board's fiduciary responsibility may require it to act as a lead or co-lead plaintiff to recover funds lost to fraud or other questionable activity.

11. RESTATEMENT

Due to a correction of an error, the Security Lending Cash Collateral and the Security Lending Obligation, as of June 30, 2006, of \$372,705, 511 has been restated as \$198,156,646. The Total Assets and Total Liabilities as of June 30, 2006 have been restated from \$1,864,487,166 and \$367,275,600 to \$1,689,938,301 and \$192,726,735, respectively. The Net Assets Managed of \$1,443,688,161 as of June 30, 2006 remains unchanged.

12. YEAR END PORTFOLIO

The June 30, 2007 All Other Funds portfolio is listed below. The security type percentage is based on the fair value ratio of the specific category of securities to the total portfolio.

<u>Security Name</u>	<u>Coupon</u>	<u>Maturity</u>	<u>Par</u>	<u>Book Value</u>	<u>Fair Value</u>	<u>%</u>
US BANK REPURCHASE AGREEMENT	5.250	07/02/07	18,255,027	18,255,027	18,255,027	1.26%
Cash Equivalents			18,255,027	18,255,027	18,255,027	1.26%
AA / FT WORTH HQ FINANCE TRUST	5.500	10/05/10	6,827,172	6,827,172	6,784,502	0.47%
ABBOTT LABS	3.500	02/17/09	10,000,000	9,982,762	9,730,916	0.67%
AMERICAN EXPRESS CO	5.500	09/12/16	5,000,000	4,976,584	4,930,155	0.34%
AMERICAN GENERAL FINANCE CORP	4.875	05/15/10	5,000,000	4,999,598	4,925,572	0.34%
ARIA CDO II	VAR	10/10/12	10,000,000	10,000,000	10,835,000	0.75%
B J SERVICES	5.750	06/01/11	5,000,000	4,994,847	4,995,570	0.34%
BANC AMER COML MTG TRUST 2007-1	5.381	01/15/49	5,000,000	5,023,397	4,938,947	0.34%
BANC AMER COML MTG TRUST 2007-2	5.634	04/10/49	5,000,000	5,024,822	4,990,657	0.34%
BANK AMER CORP	3.375	02/17/09	5,000,000	4,991,511	4,858,817	0.34%
BANK AMER CORP	5.375	06/15/14	5,000,000	4,968,159	4,900,538	0.34%
BUNGE NA FINANCE LP	5.900	04/01/17	5,000,000	4,994,457	4,813,352	0.33%
BN RR CO EQUIPMENT TRUST	6.940	01/02/14	2,715,398	2,715,398	2,715,398	0.19%
BN SANTA FE EQUIPMENT TRUST	7.160	01/02/20	3,954,175	3,954,175	4,175,865	0.29%
CIT GROUP EQUIPMENT TRUST	6.490	01/05/21	6,367,961	6,367,961	6,500,026	0.45%
CIT GROUP INC	5.200	11/03/10	2,000,000	2,000,000	1,967,342	0.14%
CIT GROUP INC	5.750	09/25/07	5,000,000	5,010,062	5,006,071	0.35%
CIT GROUP INC	5.800	07/28/11	3,000,000	3,029,706	2,992,158	0.21%
CVS CAREMARK CORP	5.750	06/01/17	5,000,000	4,804,712	4,824,110	0.33%
CENTEX CORP	5.700	05/15/14	3,000,000	2,997,162	2,849,705	0.20%
CITIGROUP INC	6.000	02/21/12	5,000,000	4,999,141	5,087,117	0.35%
CITIGROUP INC	3.625	02/09/09	5,000,000	4,996,131	4,879,875	0.34%
COMCAST CORP	5.450	11/15/10	5,000,000	5,007,177	4,973,915	0.34%
COMMERCIAL MORTGAGE TRUST 2006-C7	5.540	06/10/46	10,614,822	10,631,786	10,626,655	0.73%
CONOCOPHILLIPS CANADA	5.625	10/15/16	6,000,000	5,999,554	5,903,790	0.41%
CONTINENTAL AIRLINES EQ TRUST	6.563	08/15/13	5,000,000	5,013,070	5,156,250	0.36%
DETROIT EDISON CO	5.200	10/15/12	5,000,000	4,963,335	4,885,039	0.34%
DONNELLEY R R + SONS CO	4.950	04/01/14	5,000,000	4,858,980	4,567,835	0.32%
ENTERGY ARKANSAS INC	4.500	06/01/10	3,000,000	2,992,249	2,904,404	0.20%
FIFTH THIRD BANCORP	5.450	01/15/17	5,000,000	4,983,418	4,843,003	0.33%
FIRST CHICAGO CORP	6.375	01/30/09	2,000,000	1,969,443	2,033,701	0.14%
FORTUNE BRANDS INC	5.375	01/15/16	3,000,000	2,982,905	2,785,335	0.19%
GALENA CDO I	VAR	01/11/13	4,000,000	4,000,000	4,048,000	0.28%
GE COML MTG CORP TRUST 2002-C3	5.417	12/10/49	10,000,000	10,048,753	9,886,537	0.68%
GENERAL ELEC CAP CORP MTN	5.000	04/10/12	5,000,000	4,974,594	4,887,242	0.34%
GENERAL ELEC CAP CORP MTN	4.375	11/21/11	10,000,000	9,777,720	9,558,717	0.66%
GENERAL MOTORS ACCEPTANCE CORP	6.125	08/28/07	5,000,000	5,000,291	5,000,220	0.34%
GENWORTH FINANCIAL INC	5.650	06/15/12	5,000,000	4,989,114	5,021,207	0.35%
GOLDMAN SACHS GROUP INC	5.350	01/15/16	5,000,000	4,951,008	4,762,686	0.33%
GOLDMAN SACHS GROUP INC	5.300	02/14/12	5,000,000	4,996,161	4,920,795	0.34%
GOLDMAN SACHS GROUP INC	3.875	01/15/09	5,000,000	5,017,493	4,895,614	0.34%
HSBC FIN CORP	5.500	01/19/16	5,000,000	5,007,722	4,818,375	0.33%
HSBC FIN CORP	5.900	06/19/12	5,000,000	4,987,681	5,022,180	0.35%
HARTFORD FINANCIAL SVCS GROUP INC	5.375	03/15/17	5,000,000	4,986,969	4,801,849	0.33%
HERSHEY FOODS CORP	5.300	09/01/11	1,000,000	998,369	992,573	0.07%
HOUSEHOLD FINANCE CORP	4.750	05/15/09	1,000,000	999,676	990,110	0.07%
ING SEC LIFE INSTITUTIONAL FUND	4.250	01/15/10	3,000,000	2,996,663	2,915,238	0.20%
INTERNATIONAL LEASE FINANCE CORP	5.125	11/01/10	5,000,000	4,986,816	4,947,549	0.34%
INTERNATIONAL LEASE FINANCE CORP	4.550	10/15/09	5,000,000	5,059,886	4,901,430	0.34%
J P MORGAN CHASE + CO	3.500	03/15/09	10,000,000	9,979,732	9,716,165	0.67%
J P MORGAN COML MTG TRUST 2002-C3	4.200	07/12/35	15,222,311	15,287,748	14,808,881	1.02%
J P MORGAN COML MTG TRUST 2004-C1	3.053	01/15/38	1,834,149	1,833,800	1,773,958	0.12%
JP MORGAN COML MTG TRUST 2006-CIBC17	5.279	12/12/43	4,706,723	4,716,329	4,675,671	0.32%
JERSEY CENTRAL POWER + LIGHT CO	5.650	06/01/17	3,000,000	2,989,617	2,912,451	0.20%
KCT INTERMODAL EQUIP TRUST 1998	6.884	08/01/18	3,151,467	3,151,467	3,294,546	0.23%
KEY BANK NA	4.412	03/18/08	5,000,000	5,000,000	4,969,594	0.34%
KEY BANK NA	5.450	03/03/16	5,000,000	4,998,959	4,838,575	0.33%
KRAFT FOODS INC	4.125	11/12/09	3,000,000	2,993,079	2,906,259	0.20%
LEHMAN BROTHERS HLDGS INC	VAR	05/25/10	5,000,000	5,000,000	4,995,585	0.34%
LEHMAN BROTHERS HLDGS INC	5.000	01/14/11	5,000,000	4,984,414	4,913,026	0.34%
MGIC INVESTMENT CORP	5.625	09/15/11	4,000,000	3,999,292	3,989,398	0.28%
MARSH + MCLENNAN COS INC	7.125	06/15/09	3,000,000	2,998,544	3,082,619	0.21%

<u>Security Name</u>	<u>Coupon</u>	<u>Maturity</u>	<u>Par</u>	<u>Book Value</u>	<u>Fair Value</u>	<u>%</u>
MCKESSON CORP	5.250	03/01/13	3,000,000	2,988,080	2,928,708	0.20%
MERRILL LYNCH + CO INC	4.125	01/15/09	5,000,000	4,999,095	4,919,064	0.34%
METLIFE INC	5.000	11/24/13	5,000,000	4,969,247	4,807,135	0.33%
MORGAN STANLEY	4.000	01/15/10	5,000,000	4,979,601	4,828,545	0.33%
MORGAN STANLEY	5.050	01/21/11	5,000,000	4,990,884	4,912,543	0.34%
NATIONAL CITY BANK	5.250	12/15/16	5,000,000	4,995,606	4,741,827	0.33%
NATIONWIDE FINANCIAL SERVICES INC	6.250	11/15/11	5,000,000	5,179,725	5,117,891	0.35%
PNC FUNDING CORP	4.200	03/10/08	5,000,000	4,999,458	4,959,522	0.34%
PPL MONTANA LLC	8.903	07/02/20	3,702,692	3,702,692	4,070,618	0.28%
PANAMERICAN BEVERAGES INC	7.250	07/01/09	3,000,000	3,018,196	3,090,000	0.21%
ALTRIA GROUP INC	7.650	07/01/08	5,000,000	5,122,049	5,110,453	0.35%
PRINCIPAL LIFE GLOBAL FUNDING	5.125	10/15/13	5,000,000	4,995,376	4,848,582	0.33%
PRUDENTIAL FINANCIAL INC	5.500	03/15/16	5,000,000	4,910,721	4,886,370	0.34%
SBC COMMUNICATIONS INC	5.300	11/15/10	5,000,000	4,992,674	4,964,947	0.34%
SLM CORP	4.500	07/26/10	5,000,000	4,991,408	4,711,256	0.32%
ST PAUL TRAVELERS COS INC	6.250	06/20/16	5,000,000	4,984,212	5,082,570	0.35%
SOUTHWEST GAS CORP	8.375	02/15/11	4,000,000	3,997,784	4,301,640	0.30%
UNION BANK CALIFORNIA	5.950	05/11/16	5,000,000	5,003,787	4,995,095	0.34%
UNION PACIFIC CORP	4.875	01/15/15	7,000,000	6,719,625	6,531,287	0.45%
VERIZON COMMUNICATIONS INC	5.550	02/15/16	5,000,000	4,965,444	4,882,552	0.34%
VERIZON NEW JERSEY INC	5.875	01/17/12	2,000,000	2,048,884	2,003,976	0.14%
WACHOVIA CORP	5.625	10/15/16	5,000,000	4,982,164	4,868,116	0.34%
WASHINGTON MUTUAL INC	4.200	01/15/10	5,000,000	4,996,163	4,846,065	0.33%
WELLPOINT INC	5.875	06/15/17	5,000,000	4,922,405	4,925,145	0.34%
WELLS FARGO + CO	4.625	04/15/14	5,000,000	4,853,823	4,712,373	0.33%
WELLS FARGO + CO	5.300	08/26/11	10,000,000	9,989,050	9,955,394	0.69%
WESTERN PROPERTIES REIT	7.200	09/15/08	1,000,000	992,846	1,020,755	0.07%
WYETH	5.500	02/01/14	5,000,000	4,993,625	4,942,819	0.34%
ZIONS BANCORPORATION	5.650	05/15/14	3,000,000	2,997,323	2,955,195	0.20%
Corporate Bonds Rated			446,096,869	445,053,522	440,549,099	30.38%
ENSCO OFFSHORE CO USGG XI	6.360	12/01/15	8,500,342	8,500,342	8,772,353	0.61%
GLOBAL INDUSTRIES LTD USGG XI	7.710	02/15/25	3,600,000	3,600,000	3,568,716	0.25%
MAYBANK NAVIGATION LLC USGG XI	7.620	07/25/20	3,375,000	3,375,000	3,269,194	0.23%
ROWAN COS INC USGG XI	5.880	03/15/12	11,362,000	11,362,000	11,477,097	0.79%
UNITED STATES TREASURY NOTES	3.000	02/15/09	2,000,000	1,975,842	1,940,625	0.13%
UNITED STATES TREASURY NOTES	4.000	02/15/15	20,000,000	18,905,852	18,721,876	1.29%
UNITED STATES TREASURY NOTES	4.500	02/15/09	5,000,000	4,981,558	4,966,016	0.34%
UNITED STATES TREASURY NOTES	4.625	03/31/08	3,000,000	2,994,968	2,991,094	0.21%
UNITED STATES TREASURY STRIP	0.000	11/15/17	4,200,000	2,516,015	2,473,519	0.17%
FNMA POOL 592327	5.500	06/01/16	570,524	561,587	565,465	0.04%
U.S. Government Indirect -Backed			533,987,352	523,421,115	517,414,883	35.69%
BGI EQUITY INDEX FUND B	NA	NA	480,587	68,406,676	100,545,339	6.93%
Equity Index Fund			480,587	68,406,676	100,545,339	6.93%
MONTANA RESIDENTIAL MORTGAGES	NA	NA	68,837,530	68,837,530	68,260,568	4.71%
MONTANA COAL TAX TRUST LOANS	NA	NA	226,767,173	226,767,173	226,767,173	15.64%
Loans/Mortgages			295,604,703	295,604,703	295,027,741	20.35%
2273 BOOT HILL COURT, BOZEMAN, MONTANA	NA	NA	2,073,887	2,073,887	2,082,014	0.14%
CALIFORNIA STREET, HELENA, MONTANA	NA	NA	205,591	205,591	214,359	0.01%
2401 COLONIAL DRIVE, HELENA, MONTANA	NA	NA	7,183,950	7,183,950	7,676,349	0.53%
1712 NINTH AVENUE, HELENA, MONTANA	NA	NA	514,569	514,569	579,625	0.04%
100 NORTH PARK AVENUE, HELENA, MONTANA	NA	NA	6,852,395	6,852,395	6,500,874	0.45%
STATE FUND BUILDING, HELENA, MT	NA	NA	1,139,460	1,139,460	1,139,460	0.08%
Real Estate			17,969,852	17,969,852	18,192,681	1.25%
Total All Other Funds			1,375,153,733	1,428,644,473	1,449,900,519	100.00%

Scott A. Seacat, Legislative Auditor
Tori Hunthausen,
Chief Deputy Legislative Auditor



Deputy Legislative Auditors:
James Gillett
Angie Grove

INDEPENDENT AUDITOR'S REPORT

The Legislative Audit Committee
of the Montana State Legislature:

We have audited the accompanying Statement of Net Assets of the Enterprise Fund of the state of Montana Board of Investments as of June 30, 2007, and 2006, and the related Statement of Revenues, Expenses, and Changes in Fund Net Assets and Statement of Cash Flows for each of the fiscal years then ended. The information contained in these financial statements is the responsibility of the Board of Investments' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the state of Montana Board of Investments' Enterprise Fund as of June 30, 2007, and 2006, and the results of its operations and cash flows for each of the fiscal years then ended, in conformity with accounting principles generally accepted in the United States of America.

Respectfully submitted,

/s/ James Gillett

James Gillett, CPA
Deputy Legislative Auditor

November 26, 2007

STATE OF MONTANA BOARD OF INVESTMENTS ENTERPRISE FUND
STATEMENT OF NET ASSETS AS OF JUNE 30, 2007 AND 2006

Assets

	<u>2007</u>	<u>2006</u>
Current assets:		
Cash and cash equivalents (Note 1)	\$ 29,712,816	\$ 11,242,417
Interest receivable	861,104	1,013,345
Notes/loans receivable (Note 1)	8,170,378	8,289,836
Interfund notes/loans and interest receivable (Note 1)	5,070,334	4,184,376
Component Unit notes/loans and interest receivable (Note 1)	1,816,397	1,719,797
Short-term investments at fair value (Notes 1 and 2)	1,062,636	1,517,934
Security lending cash collateral (Note 3)	0	3,172
Prepaid expenses	<u>0</u>	<u>25</u>
Total current assets	<u>46,693,665</u>	<u>27,970,902</u>
Noncurrent assets:		
Restricted investments at fair value (Notes 1 and 2)	3,630,292	4,598,906
Notes/loans receivable (Note 1)	32,280,486	36,840,193
Interfund notes/loans and interest receivable (Note 1)	18,045,342	16,131,846
Component Unit notes/loans receivable (Note 1)	5,184,483	6,575,176
Capitalized cost of issue (Note 1)	1,526,132	1,299,044
Equipment	2,990	2,990
Accumulated depreciation	<u>(2,930)</u>	<u>(2,930)</u>
Total noncurrent assets	<u>60,666,795</u>	<u>65,445,225</u>
Total assets	\$ <u>107,360,460</u>	\$ <u>93,416,127</u>
Liabilities		
Current liabilities:		
Advances	\$ 58,968	\$ 0
Due to other funds	5,280	3,818
Accrued expenses	21,231	24,224
Accrued interest payable	1,342,468	1,152,351
Security lending obligations (Note 3)	0	3,172
Arbitrage rebate tax payable	34,768	35,493
Compensated absences	16,637	17,297
Current bonds/notes payable (Note 4)	<u>99,122,441</u>	<u>84,558,615</u>
Total current liabilities	<u>100,601,793</u>	<u>85,794,970</u>
Noncurrent liabilities		
Bonds/notes payable (Note 4)	2,014,709	2,147,858
Compensated absences	28,574	25,247
Arbitrage rebate tax payable	<u>24,553</u>	<u>93,750</u>
Total noncurrent liabilities	<u>2,067,836</u>	<u>2,266,855</u>
Total liabilities	\$ <u>102,669,629</u>	\$ <u>88,061,825</u>
Net Assets		
Invested in capital assets, net of related debt	\$ 60	\$ 60
Restricted (Note 1)	3,077,614	2,920,959
Unrestricted	<u>1,613,157</u>	<u>2,433,283</u>
Total net assets (Note 7)	\$ <u>4,690,831</u>	\$ <u>5,354,302</u>
Total liabilities and net assets	\$ <u>107,360,460</u>	\$ <u>93,416,127</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF MONTANA BOARD OF INVESTMENTS ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2006**

Operating revenue	<u>2007</u>	<u>2006</u>
Reimbursements	\$ 22,344	\$ 6,794
Investment income	931,678	570,079
Security lending income	25	259
Financing income	<u>3,449,992</u>	<u>3,049,576</u>
Total operating revenue	<u>4,404,039</u>	<u>3,626,708</u>
Operating expenses		
Personal services	256,017	249,637
Contracted services	32,349	21,890
Supplies and materials	4,443	10,382
Communications	6,866	6,152
Travel	1,751	2,789
Rent	42,218	41,103
Repair and maintenance	300	1,072
Indirect and other costs	37,942	38,294
Depreciation expense	0	244
Arbitrage rebate tax expense (Note 9)	(51,294)	3,600
Security lending expense	25	258
Debt service		
Interest expense	3,489,805	2,709,327
Trustee fee expense	46,356	70,888
Bond issuance cost amortization expense	98,081	93,746
Other debt service expense	<u>202,577</u>	<u>191,372</u>
Total operating expenses	<u>4,167,436</u>	<u>3,440,754</u>
Operating income	<u>236,603</u>	<u>185,954</u>
Nonoperating (expense):		
Transfers to other funds (Note 8)	<u>(900,074)</u>	<u>0</u>
Change in net assets	(663,471)	185,954
Beginning net assets	<u>5,354,302</u>	<u>5,168,348</u>
Ending net assets (Note 7)	\$ <u>4,690,831</u>	\$ <u>5,354,302</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF MONTANA BOARD OF INVESTMENTS ENTERPRISE FUND
STATEMENT OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Receipts for sales and services	\$ 22,344	\$ 6,794
Payments to suppliers for goods and services	(137,459)	(108,356)
Payments to employees	(243,266)	(248,828)
Net cash (used for) operating activities	<u>(358,381)</u>	<u>(350,390)</u>
Cash flows from non-capital financing activities:		
Payment of principal and interest on bonds and notes	(5,649,519)	(5,308,863)
Proceeds from issuance of bonds and notes	16,531,576	1,103,404
Payment of bond issue costs	(325,169)	0
Transfers to other funds (Note 8)	<u>(900,073)</u>	<u>0</u>
Net cash provided by (used for) non-capital financing activities	<u>9,656,815</u>	<u>(4,205,459)</u>
Cash flows from investing activities:		
Collections for principal and interest on loans	27,151,788	20,807,207
Cash payments for loans	(20,285,810)	(22,518,931)
Purchase of investments	0	(2,146,092)
Proceeds from security lending	25	259
Security lending costs	(25)	(258)
Proceeds from sales or maturities of investments	1,520,601	1,793,553
Interest on investments	804,013	700,215
(Payment for) refund from arbitrage rebate tax	<u>(18,627)</u>	<u>11,488</u>
Net cash provided by (used for) investing activities	<u>9,171,965</u>	<u>(1,352,559)</u>
Net increase (decrease) in cash and cash equivalents	18,470,399	(5,908,408)
Cash and cash equivalents, July 1	<u>11,242,417</u>	<u>17,150,825</u>
Cash and cash equivalents, June 30	<u>29,712,816</u>	<u>11,242,417</u>
Reconciliation of net income to net cash (used for) operating activities:		
Net operating income	236,603	185,954
Adjustments to reconcile net income to net cash (used for) operating activities		
Depreciation	0	244
Interest on investments	(931,678)	(570,079)
Financing income	(3,449,992)	(3,049,576)
Interest expense	3,836,819	3,065,333
Security lending income	(25)	(259)
Security lending expense	25	258
Arbitrage rebate tax expense	(51,294)	3,600
Change in assets and liabilities:		
(Increase) decrease in other assets	25	(2)
Increase (decrease) in other payables	(2,993)	13,451
Increase (decrease) in due to other funds	1,462	963
Increase (decrease) in compensated absences payable	<u>2,667</u>	<u>(277)</u>
Total adjustments	<u>(594,984)</u>	<u>(536,344)</u>
Net cash (used for) operating activities	\$ <u>(358,381)</u>	\$ <u>(350,390)</u>
Schedule of noncash transactions:		
Increase/decrease in fair value of investments	\$ <u>(91,775)</u>	\$ <u>105,458</u>
Total noncash transactions	\$ <u>(91,775)</u>	\$ <u>105,458</u>

The accompanying notes are an integral part of these financial statements.

STATE OF MONTANA BOARD OF INVESTMENTS ENTERPRISE FUND

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND JUNE 30, 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Accounting

The Board uses the accrual basis of accounting for the Enterprise Fund. Under the accrual basis of accounting, expenses are recorded when incurred and revenues are recorded when earned. The financial statements are prepared from the Statewide Accounting, Budgeting, and Human Resource System (SABHRS) and information contained in the bond trustee statements. The statements include the financial activity administered by the Board in the Enterprise Fund.

b. Presentation of Programs

The Board uses the Enterprise Fund to account for its programs created under the Economic Development Bond Act and the Municipal Finance Consolidation Act.

Economic Development Bond Act programs include:

- The Stand Alone Economic Development Bond Program provides access to limited economic development projects through the issuance of conduit debt.
- The Conservation Reserve Enhancement Program (CRP), created in 1990 by issuing bonds, allows farmers to receive a lump sum payment by assigning their federal CRP contract to the Board. The farmers under contract must comply with seeding and other requirements. The Conservation Reserve Enhancement Program is currently funded by the Montana Trust Funds Bond Pool.
- The Family Friendly Business Loan Program provided zero interest loans to qualified business owners who hire participants of the Families Achieving Independence in Montana (FAIM) employment and training component. The Department of Health and Human Services pays the interest on the loans. As of June 30, 2006, all loans are paid in full and the program is inactive.

Municipal Finance Consolidation Act programs include:

- The INTERCAP loan program provides funds to eligible Montana governments to finance capital expenditures for up to ten years.
- The Irrigation District Pooled Loan Program provided funds for the Board to purchase the refunding bonds from participating irrigation districts for the purpose of prepaying the U.S. Department of Interior, Bureau of Reclamation Projects Loans.

c. Fixed Asset Depreciation

The equipment fixed assets recorded in the Enterprise Fund are depreciated on a straight-line basis value, in accordance with state policy.

d. Receivables

The Enterprise Fund notes/loans receivables of \$70,047,071 as of June 30, 2007 and \$73,247,245 as of June 30, 2006, represent loans made to Montana businesses, state and local governments. The Enterprise Fund notes/loans are classified in three categories as follows:

- 1) Notes/loans receivable from local governments and Montana businesses
- 2) Interfund notes/loans receivable from state agency governments
- 3) Component Unit notes/loans receivable from certain state agencies and university units for which the State is financially accountable.

In May 2006, the Enterprise Fund wrote off a \$37,223 loan principal balance for the Meadowlark Mulch loan. The Family Friendly Business Loan Program funded \$39,936 for this loan in January 1999.

The InterFund notes/loans receivable as of June 30, 2007 and 2006 includes \$520,349 and \$493,979, respectively, in interest accruals from state agencies and university units.

e. Capitalized Cost of Issue

The Enterprise Fund capitalized cost of issue asset of \$1,526,132 and \$1,299,044 as of June 30, 2007 and June 30, 2006, respectively, represents paid bond issuance costs which have been capitalized and are being amortized, using the straight-line method over the life of the bonds.

f. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Enterprise Fund considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents, as identified in the Statement of Net Assets, are as follows:

		<u>June 30, 2007</u>	<u>June 30, 2006</u>
Cash in treasury	\$	21,952	\$ 24,092
Cash with fiscal agent		45,000	2,110
Short Term Investment Pool (STIP)		220,203	193,429
First American Treasury Obligation Fund		<u>29,425,661</u>	<u>11,022,786</u>
Total Cash and Cash Equivalents	\$	<u>29,712,816</u>	\$ <u>11,242,417</u>

The Enterprise Fund invests its operational cash in the Board's Short Term Investment Pool (STIP), an external investment pool. An external investment pool commingles the moneys of more than one legally separate entity and invests, on the participants' behalf, in an investment portfolio. STIP participants include both state agencies and local governments. By meeting certain conditions, STIP, as a 2a7-like pool, is allowed to use amortized cost rather than fair value to report net assets to compute unit values.

g. Restricted Net Assets

The Statement of Net Assets for the Enterprise Fund reports restricted assets. Net assets are reported as restricted when constraints placed on net asset use are either:

- a. Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
- b. Imposed by law through constitutional provisions or enabling legislation.

The net assets of all Enterprise Fund programs with the exception of MEDB (Montana Economic Development Bonds) Guarantee Fund Account, MEDB Guarantee CRP Note Reserve, MEDB Contingency Account, MEDB Family Friendly Account and CRP are restricted under bond indentures governing the use of these funds.

h. Investments

Investments are presented in the Statement of Net Assets at fair value. Investment fair values for publicly traded securities are determined primarily by reference to market prices supplied to the Board's trustee. Amortized cost, or carrying value, represents the original cost, adjusted for premium and discount amortization where applicable. Premiums and discounts are amortized/accreted using the straight-line method to the maturity date of the securities.

2. INVESTMENT RISK DISCLOSURES

Effective June 30, 2005, the Board implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 40 – Deposit and Investment Risk Disclosures. The investment risk disclosures are described in the following paragraphs.

The Enterprise Fund deposits and investments are restricted by the bond trust indentures to the following: government and agency obligations, certificates of deposits, repurchase agreements, and investment agreements. Deposits and investments must be made with Montana banks or in the Short Term Investment Pool (STIP) administered by the Board.

Credit Risk

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The Enterprise Fund's U.S. government direct-backed securities, consisting of U.S. Treasury notes and bills, are guaranteed directly by the U.S. government. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. The credit ratings presented in the table below are provided by S&P's rating services.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. As of June 30, 2007 and 2006, Enterprise Fund securities were recorded in book entry form in the name of U.S. Bank National Association as Trustee for the Montana Board of Investments by specific account.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Enterprise Fund investments represent investments directly issued or explicitly guaranteed by the U.S. government and investments in mutual funds. These investments are excluded from the concentration of credit risk requirement.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Enterprise Funds' bond indentures do not formally address interest rate risk. In accordance with GASB Statement No. 40, the Board has selected the duration method to disclose interest rate risk.

State of Montana Enterprise Fund investments are categorized below to disclose credit and interest rate risk as of June 30, 2007 and June 30, 2006. Credit risk reflects the bond quality rating, by investment type, as of the June 30 report date. Interest rate risk is disclosed using duration as calculated by Board staff. If a bond investment type is unrated, the quality type is indicated by NR (not rated). Both the credit quality ratings and duration have been calculated excluding cash equivalents. If duration has not been calculated, duration is indicated by NA (not applicable).

Credit Quality Rating and Effective Duration as of June 30, 2007

<u>Security Investment Type</u>	<u>Fair Value</u>	<u>Credit Quality Rating</u>	<u>Effective Duration</u>
First American Treasury Obligation Fund	\$ 29,425,661	AAA	NA
Short Term Investment Pool (STIP)	220,203	NR	NA
U.S. Government Direct-Backed	<u>4,692,928</u>	<u>AAA</u>	<u>1.76</u>
Total Investments	\$ <u>34,338,792</u>	<u>AAA</u>	<u>1.76</u>
Securities Lending Collateral Investment Pool	\$ <u>0</u>	NR	NA

Credit Quality Rating and Effective Duration as of June 30, 2006

<u>Security Investment Type</u>	<u>Fair Value</u>	<u>Credit Quality Rating</u>	<u>Effective Duration</u>
First American Treasury Obligation Fund	\$ 11,022,786	AAA	NA
Short Term Investment Pool (STIP)	193,429	NR	NA
U.S. Government Direct-Backed	<u>6,116,840</u>	<u>AAA</u>	<u>2.15</u>
Total Investments	\$ <u>17,333,055</u>	<u>AAA</u>	<u>2.15</u>
Securities Lending Collateral Investment Pool	\$ <u>3,172</u>	NR	NA

There were no derivative transactions during the above fiscal years for investments held by the trustee.

3. SECURITY LENDING

The Enterprise Fund is a participant in the Board's Short Term Investment Pool (STIP). In fiscal years 2007 and 2006, security lending transactions were recorded for STIP.

The Board is authorized by law to lend its securities and has contracted with the custodial bank to lend the Board's securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the

future. During the period the securities are on loan, the Board receives a fee and the custodial bank must initially receive collateral equal to 102 percent of the fair value of the loaned securities and maintain collateral equal to not less than 102 percent of the fair value of the loaned security. The Board retains all rights and risks of ownership during the loan period.

During fiscal years 2007 and 2006, the custodial bank loaned certain Board securities and received U.S. dollar currency cash, U.S. government and government sponsored securities, US corporate debt securities, supranational agencies debt, asset backed securities and irrevocable bank letters of credit. The custodial bank does not have the ability to pledge or sell collateral securities unless the borrower defaults.

The Board did not impose any restrictions during fiscal years 2007 and 2006 on the amount of Board securities the custodial bank could loan. There were no failures by any borrowers to return loaned securities or pay distributions thereon during fiscal years 2007 and 2006. Moreover, there were no losses during fiscal years 2007 and 2006 resulting from a default of the borrowers or the custodial bank.

During fiscal years 2007 and 2006, the Board and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received for each loan was invested, together with the cash collateral of other qualified plan lenders, in a collective investment pool. The Securities Lending Quality Trust has a weighted average maturity of 66 and 56 days, respectively, as of June 30, 2007 and 2006. The Quality D Trust has a weighted average maturity of 68 and 58 days, respectively, as of June 30, 2007 and 2006. The relationship between the average maturities of the investment pool and the Board's loans was affected by the maturities of the loans made by other plan entities that invested cash collateral in the collective investment pool, which the Board could not determine. At year-end, the Board had no credit risk exposure to borrowers because the collateral pledged by the borrowers exceeded the value of the securities borrowed.

4. BONDS PAYABLE

Long-Term Bonds Payable

Economic Development Bonds (EDB) and Municipal Finance Consolidation Act Bonds (MFCAB)

These bonds are issued under the Economic Development Bond Act, and the Municipal Finance Consolidation Act, for the purpose of assisting Montana's small businesses and local governments in obtaining low cost financing. Outstanding obligations are listed as follows (in thousands):

Bonds Payable as of June 30, 2007

<u>Program</u>	<u>Series</u>	<u>Amount Issued</u>	<u>Interest Range %</u>	<u>Principal Payments FY 2008</u>	<u>@ Maturity</u>	<u>Balance June 30, 2007</u>
Municipal Finance Consolidation Act Bonds (Irrigation Program) (1)	1988	\$ 4,976	6.60-7.75	\$ 45	70 (2014)	\$ 390
Conservation Reserve Enhancement Program (CRP Bonds) (2)		2,287	6.00-7.50	617	102(2016)	2,287
Total Bonds Payable		<u>\$ 7,263</u>		<u>\$ 662</u>		<u>\$ 2,677</u>
Less Current Portion (FY2007 Principal Payments)						(662)
Total Long-Term Bonds Payable						<u>\$ 2,015</u>

Bonds Payable as of June 30, 2006

<u>Program</u>	<u>Series</u>	<u>Amount Issued</u>	<u>Interest Range %</u>	<u>Principal Payments FY 2007</u>	<u>@ Maturity</u>	<u>Balance June 30, 2006</u>
Municipal Finance Consolidation Act Bonds (Irrigation Program) (1)	1988	\$ 4,976	6.60-7.75	\$ 40	70 (2014)	\$ 430
Conservation Reserve Enhancement Program (CRP Bonds) (2)		2,656	6.00-7.50	898	108(2011)	2,656
Total Bonds Payable		<u>\$ 7,632</u>		<u>\$ 938</u>		<u>3,086</u>
Less Current Portion (FY2006 Principal Payments)						(938)
Total Long-Term Bonds Payable						<u>\$ 2,148</u>

(1) The Board issued these bonds to provide funds to purchase the Refunding Bonds of participating Irrigation Districts for the purpose of prepaying the U.S. Department of Interior, Bureau of Reclamation Projects Loans. The Irrigation Bonds and the interest thereon are payable solely from the collection of a special tax or assessment which is a lien against real property in the Irrigation District. While the Irrigation Bonds are not obligations of the State of Montana, the bonds are limited obligations of the Board due to an irrevocable pledge to lend money for deposit by the Trustee of the Irrigation District Pooled Loan Program Reserve Account E in an amount equal to any deficiencies therein on any payment date. The Indenture does not permit the issuance of additional bonds.

(2) The Conservation Reserve Enhancement Program is funded by the Montana Trust Funds Bond Pool.

Future debt service as of June 30, 2007 is listed below (in thousands):

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013-16</u>	<u>Total</u>
Principal	\$ 662	\$ 486	\$ 331	\$ 290	\$ 222	\$ 686	\$ 2,677
Interest	\$ 181	\$ 136	\$ 103	\$ 80	\$ 60	\$ 96	\$ 656
Total	<u>\$ 843</u>	<u>\$ 622</u>	<u>\$ 434</u>	<u>\$ 370</u>	<u>\$ 282</u>	<u>\$ 782</u>	<u>\$ 3,333</u>

Future debt service as of June 30, 2006 is listed below (in thousands):

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012-14</u>	<u>Total</u>
Principal	\$ 938	\$ 977	\$ 533	\$ 280	\$ 163	\$ 195	\$ 3,086
Interest	\$ 197	\$ 138	\$ 76	\$ 42	\$ 24	\$ 24	\$ 501
Total	<u>\$ 1,135</u>	<u>\$ 1,115</u>	<u>\$ 609</u>	<u>\$ 322</u>	<u>\$ 187</u>	<u>\$ 219</u>	<u>\$ 3,587</u>

Current Bonds Payable

The Enterprise Fund is authorized to issue INTERCAP bonds under the Municipal Finance Consolidation Act. These bonds

may not aggregate more than \$190 million as amended by the 2007 Legislature. The INTERCAP bonds provide funds for the Board to make loans to eligible government units. The bonds are not a debt or liability of the State of Montana. The bonds are limited obligations of the Board payable solely from: a) repayments of principal and interest on loans made by the Board to participating eligible Montana governments; b) investment income under the indenture; and c) an irrevocable pledge by the Board. The Board has no taxing power. These bonds may be redeemed, at the bondholder's option, any March 1, prior to maturity. The Board did not enter into an arms-length financing agreement to convert the bonds "put", or tender, but not resold into some other form of long-term obligation. Accordingly, these bonds, considered demand bonds, are recorded as current liabilities of the Enterprise Fund.

The INTERCAP obligations at June 30, 2007 and June 30, 2006, are listed below (in thousands):

<u>Series</u>	<u>Amount</u> <u>Issued</u>	<u>Interest</u> <u>Range</u>	<u>Maturity</u>	<u>Balance</u> <u>June 30, 2007</u>	<u>Balance</u> <u>June 30, 2006</u>
1994	\$ 7,500	Variable	2009	\$ 6,745	\$ 6,745
1995	7,500	Variable	2010	6,915	6,915
1997	10,000	Variable	2017	9,605	9,605
1998	12,500	Variable	2018	12,200	12,200
2000	15,000	Variable	2025	14,865	14,865
2003	15,000	Variable	2028	14,755	14,815
2004	18,500	Variable	2029	18,375	18,475
2007	<u>15,000</u>	Variable	2032	<u>15,000</u>	<u>0</u>
Total INTERCAP Debt	<u>\$ 101,000</u>			<u>98,460</u>	<u>83,620</u>
Current Portion of Long-Term Bonds Payable				<u>662</u>	<u>938</u>
Current Bonds Payable				<u>\$ 99,122</u>	<u>\$ 84,558</u>

5. OTHER DEBT

Conduit Debt

In this program, the Board is authorized to issue stand-alone industrial revenue bonds, under the Economic Development Act, as conduit (no commitment) debt. Assets and revenues of the borrower are pledged to repay the bonds. Because the Board has no obligation for this debt, these bond issues are not reflected on the Board's financial statements. Bonds issued by the Board as conduit (no-commitment) debt are listed below (in thousands):

<u>Project</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount</u> <u>Issued</u>	<u>Balance</u> <u>June 30, 2007</u>	<u>Balance</u> <u>June 30, 2006</u>
Colstrip	October 1989	12/30/15	\$ 60,800	\$ 48,100	\$ 50,700
Yellowstone Energy (BGI)	July 1993	12/31/19	118,345	113,145	115,145
Stillwater Mining	July 2000	07/01/20	30,000	30,000	30,000
Gainey Foundation	October 2002	09/01/14	<u>6,000</u>	<u>4,245</u>	<u>4,700</u>
Total conduit debt			<u>\$ 215,145</u>	<u>\$ 195,490</u>	<u>\$ 200,545</u>

QZAB Debt

In this program, the Board is authorized to issue Qualified Zone Academy Bonds (QZAB), under the Municipal Finance Consolidation Act, as conduit (no commitment) debt. The revenues, and in some cases the taxing power, of the borrower are pledged to repay the bonds. Because the Board has no obligation for this debt, these bond issues are not reflected on the Board's financial statements. Bonds issued by the Board as QZAB conduit (no-commitment) debt are listed below (in thousands):

<u>Project</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Balance June 30, 2007</u>	<u>Balance June 30, 2006</u>
Huntley Project K-12 Schools	December 2000	07/01/13	\$ 750	\$ 750	\$ 750
Bozeman Public Schools	November 2003	11/25/12	1,586	1,586	1,586
Philipsburg Schools	December 2003	12/10/17	2,000	2,000	2,000
Cut Bank Elementary	August 2005	08/18/21	825	825	825
Cut Bank High School	August 2005	08/18/21	625	625	625
Bozeman Public Schools	December 2006	12/19/15	<u>1,459</u>	<u>1,459</u>	<u>0</u>
Total QZAB conduit debt			<u>\$ 7,245</u>	<u>\$ 7,245</u>	<u>\$ 5,786</u>

6. INTERCAP PROGRAM LOAN COMMITMENTS

The Board makes firm commitments to fund loans from the INTERCAP loan program. As of June 30, 2007 and 2006, respectively, the Board committed to make loans to eligible Montana governments totaling \$ 33,237,729 and \$30,929,351.

7. NET ASSETS

Net Assets represents the accumulated net profits of the Enterprise Fund programs. The Net Assets for fiscal years ended June 30, 2007 and June 30, 2006 include (\$64,229) and (\$156,004), respectively, in unrealized appreciation (depreciation) in reporting the fair value of the Enterprise Fund investments.

8. TRANSFERS TO OTHER FUNDS

In fiscal year 2007, the Enterprise Fund transferred \$900,074 to the Board of Investment's Investment account. No transfers were made in fiscal year 2006.

9. ARBITRAGE

The fiscal year 2007 Arbitrage Rebate Tax Expense represents an over accrual of estimated arbitrage liability as calculated by a contracted vendor.

MONTANA BOARD OF INVESTMENTS

C-1

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LEGISLATIVE AUDIT DIV.

December 17, 2007

Scott A. Seacat, Legislative Auditor
Legislative Audit Division
Room 135, State Capitol
Helena MT 59620-1705

Dear Scott:

The Board of Investments appreciates the services your staff provide in reviewing the Board's procedures, internal controls, accounting practices, and the accuracy of the financial statements. Your employees are always very considerate during the audit and maintained an excellent working relationship with Board staff.

At the end of Fiscal 2007, the Board invested \$13.2 billion of public funds and during the year managed investments for 479 individual accounts, consisting of 286 state agency accounts and 193 local government accounts. The Board's operation utilizes several different accounting systems to accurately track investments in various asset classes, which include public and private domestic and international equity, private real estate, corporate, government, and agency bonds, commercial loans, and residential mortgages.

Historically, the Board has issued a separate financial statement for each investment pool. For Fiscal 2007, the Board issued a "consolidated" financial statement for all seven investment pools. The consolidated statement is more user-friendly and provides a more comprehensive view of total pool assets.

Sincerely yours,

Mr. Carroll South, Executive Director
Montana Board of Investments